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TRADE
Europe looks to its own backyard
Page 8

World News

ardline lbania takes -turn out f isolation

rdline Communist Albania, a dramatic U-turn, said it nted to join the Conference Security and Co-operation Europe and would adopt the principles of the 1975 lsinki Accords. Page 16; server, Page 14

e Klerk initiative

esident F.W. de Klerk sought binet approval to end four rs of emergency rule in th Africa and officials said would announce the deci- n in parliament today. Key e, Page 5

German arms cuts

st Germany is to cut its ned forces to 100,000 soldiers m the present 135,000, uce combat readiness to ninimum and focus on train- and militia tasks.

river accused

nch police charged John nston, 52, driver of a Brit- coach, with manslaughter. e coach crashed on Sunday r Auxerre, killing 11 tour- s.

ien-smuggling ring

immigration officials say posed Panamanian leader nuel Noriega was at the tre of an alien-smuggling g which allowed Chinese Cubans to use Panama an illegal gateway.

eroin seized

lgarian police seized heroin rth about $3m during a rou- e check at a border crossing h Yugoslavia.

eath sentences

enty people were sentenced leath in China at mass pub- trials as part of a crack- vn against crime. Prisoners ed, Page 4

shing treaty

ua New Guinea and the iet Union signed a bilateral ing treaty that could see iet trawlers operating in l waters before the end he year.

khs detained

ice detained 400 Sikhs in ijab and sealed off their lest shrine to thwart pro- s on the anniversary of ia's invasion of Sikhdom's den Temple in Amritsar.

nbassy reopens

nce will reopen its embassy Afghanistan on June 15, e than a year after most ign missions there closed ause they feared Kabul was ut to fall to Mujahideem rrillas.

rike hits Greece

ins stopped, schools closed flights were disrupted in ece as more than a million kers joined a 24-hour onwide strike against eco- ic austerity measures.

ilippines charge

Philippines will file new rges accusing Senator Juan ce Enrile of a role in ember's failed coup.

berian miners die

o 11 people were believed d when blasting work trig- d floods in a Siberian e, Moscow Radio said.

andan round-up

idan troops killed 29 rebels captured 63 when they ed guerrilla hideouts in north-east, military sources on Wednesday.

azil air crash

irliner with 43 passengers oard crashed near Alta- . in the Amazon region razil. Fourteen people died, rding to initial reports.

in stops rumours

id oil prices stabilised after uations which followed ket rumours of a nuclear osion in the Soviet Union. rge "nuclear cloud" over mansk turned out to be ing worse than rain.

Business Summary

ABB plans for $1.5bn annual sales in E Europe

Asea Brown Boveri, Swedish-Swiss electrical engineering group, is planning to have annual sales of $1.5bn in eastern Europe by the mid-1990s, Mr Percy Barnevik, ABB's chief executive, said.

"It will be a fairly big jump in turnover, but it will not change the total picture (of ABB)," he said. Mr Barnevik is one of the first heads of a leading European company to announce sales targets for the newly liberalising eastern bloc. Page 17

MARKETS: The Tokyo over-the-counter market was the focus of attention as stocks on the first section firmed slightly, but an absence of influencing factors drove most investors to the sidelines. Renewed worries about the cost of German unification pushed Frankfurt lower in a generally quiet day for European bourses. Back page, Section II

WEST German government bond market continued to weaken as economic statistics pointed to a very buoyant German economy. Page 36

CHICAGO futures markets and their defenders in Congress pledged to defeat the US Treasury's long-awaited proposal to shift regulatory authority for stock index futures from the Commodities Futures Trading Commission to the Securities and Exchange Commission, which the Treasury sent to Congress late on Tuesday. Page 16

US trade representative, Julius Katz insisted that the US use of unilateral trade sanctions was "a self-liquidating problem" which would disappear once trade negotiators agreed to a strong "rules-oriented structure" within the international trading system. Page 3

SOUTH Africa's gold mines responsible for nearly a quarter of the country's output of the precious metal, are incurring losses or are only marginally profitable at today's low gold prices, according to Mr Robin Plumbridge, chairman and chief executive of Gold Fields of South Africa. Page 28

ISRAEL tested an offshore oil and gas discovery prompting hopes that it might have made a significant energy find, and sending oil shares rocketing on the Tel Aviv Stock Exchange. Page 7

BANK of Credit and Commerce International is cutting about 500 jobs from its UK workforce and closing down 17 UK branches. Page 16

ARGENTINA'S Minister of Public Works announced the surprise decision by American Airlines to withdraw from the race to purchase Aerolineas Argentinas, which is due to be privatised by the end of July. Page 20

PHARMACEUTICAL wholesalers in western Europe have formed an association to take advantage of the planned harmonisation in the licensing rules for medicines after 1992. Page 3

HITACHI, Japanese electronics group, launched a new mainframe computer which it claims is the world's fastest. The announcement will increase pressure on other manufacturers, including IBM of the US, the dominant producer, to hasten the introduction of new models. Page 6

THE WEST'S record of aid for Africa in the past decade "can only be characterised as one of failure," Sir William Ryrie, Executive Vice President of the International Finance Corporation said. Page 7

SWITZERLAND has formally applied for membership of the International Monetary Fund after having had close informal ties for many years. Page 2

Gorbachev faces renewed ethnic violence

By Leyla Boulton in Moscow

PRESIDENT Mikhail Gorbachev, the Soviet leader, faced a renewed explosion of ethnic violence in the troubled Central Asian republics yesterday as the death toll from two days of rioting in the republic of Kirghizia rose to 40.

The Kirghizia riots are among the worst in a recent series of bloody disturbances in the southern Soviet republics, sparked by some of the Soviet Union's most acute poverty and a resurgent nationalism.

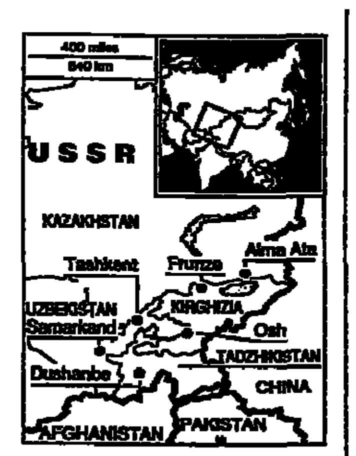
As in the eruption of racial violence in Azerbaijan earlier this year, and in the nearby republic of Tajikistan in February, the disturbances in Kirghizia have swiftly turned into an assault on representatives of Soviet power in the republic, particularly members of the Communist Party.

Mr Anatoly Lukyanov, the chairman of the Soviet parliament, yesterday said fighting between ethnic Uzbeks and Kirghizians had spread to outlying areas of the republic after erupting over a land dispute in the town of Osh on Monday.

More than 200 people were injured and casualties included 21 policemen.

The disturbances reached Frunze, the Kirghiz capital, yesterday where police fired shots in the air to disperse students who threw stones at a senior Communist Party leader. Moscow Radio's unofficial news agency, Interfax, said thousands of young Kirghiz held unofficial rallies around Frunze calling for "pogroms." It said several Uzbeks in the capital were beaten up. A local military commander condemned the "actions of extremists" in a televised appeal for calm. "Unfortunately the events are continuing," Mr Lukyanov told the Soviet parliament, without mentioning events in Frunze. He said the town of Osh was under curfew and that extra troops had been sent in from the neighbouring republic of Turkmenia to help

Continued on Page 16



EC political crisis looms over ban on British beef

By Tim Dickson in Brussels

FRANCE and West Germany were last night standing by their refusal to revoke their controversial bans on imports of British beef, threatening to turn the row over bovine spongiform encephalopathy, or mad cow disease, into a major political crisis for the EC.

There were still some faint hopes, however, of finding a compromise solution, after preliminary negotiations at an emergency meeting of EC farm ministers in Brussels last night. Mr Michael O'Kennedy, the Irish Farm Minister and chairman of the meeting, during said during a break in the talks that it had been "a reassuring first round".

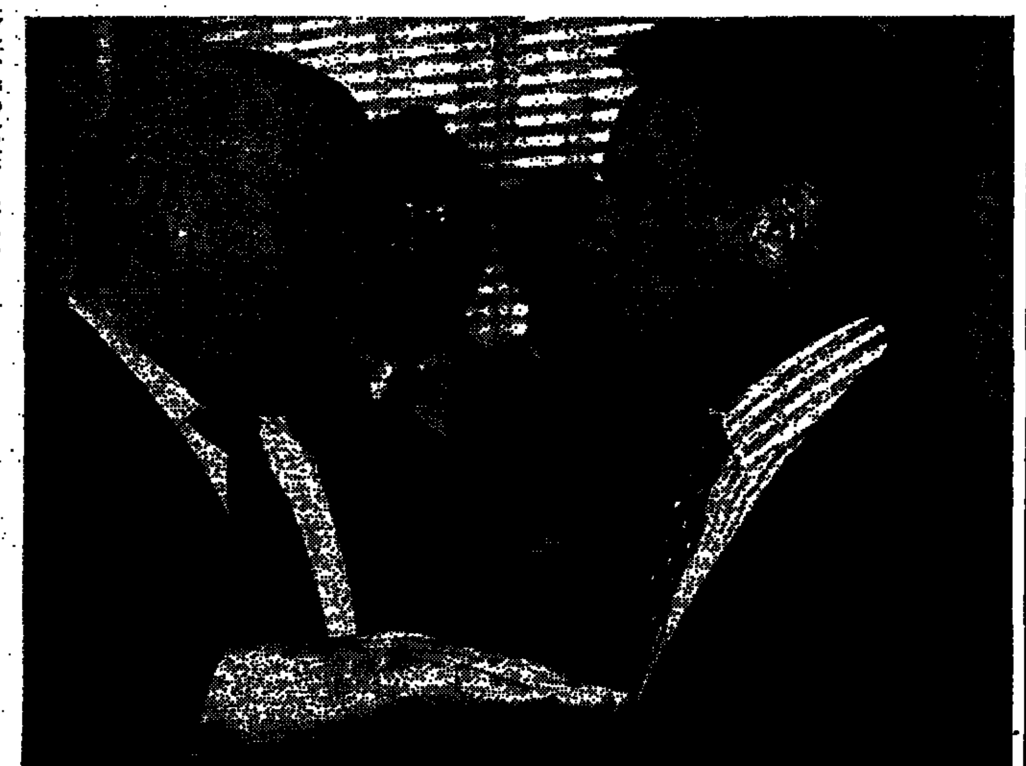
Officials confirmed that the possibility of "additional certification" – a suggested system under which the EC would somehow certify beef as BSE-free – was being explored but emphasised that there was a long way to go.

Whatever the outcome the continuing bitterness of the dispute will add to the damage already inflicted on the EC beef industry by the BSE scare and undermine what many see as fundamental principles of the EC single market.

A senior EC diplomat lamented last night: "This whole saga has cast a cloud over the Community just when we are trying to advance towards political union."

Both sides had something to celebrate by mid evening, with Italy throwing its hat into the Franco/German camp and imposing its own ban, while the EC Scientific Veterinary Committee apparently backed the British position at a meeting early in the day.

A committee communiqué declared: "In the light of present knowledge, meat derived from bovine animals in countries in which BSE occurs is not considered to be a danger to public health."



West German Agriculture Minister Ignaz Kiechle (left) and his French counterpart Henri Nallet at yesterday's crisis meeting of EC farm ministers to discuss the ban on British beef

Mr John Gummer, UK Agriculture Minister, immediately welcomed the opinion saying it had "clearly reaffirmed the view that British beef is perfectly safe."

Neither France nor Germany, however, appeared in a mood to follow Mr Gummer's advice and after discussions with the Irish Presidency of the EC, they made their positions clear when the formal council proceedings began.

Mr Henri Nallet, the French Agriculture Minister, said he had introduced the British beef ban for two reasons. One was that since January the possible risks of the transmittability of the disease had changed (a point he did not apparently explain). The other was the need to avoid the type of "psycosis" that has affected consumers in the UK.

In an interview to Agence France Presse before the meeting, Mr Nallet said that: "Benefit of the doubt must go to the consumer." He twice expressed his wish that the EC Commission "should fully assume its responsibilities for managing the markets."

The ministers from West Germany and Italy both cited "public health" as justifications for their own embargos. The Italians said they had been refusing entry for British beef since June 2.

Comments by Dutch and Irish Ministers last night suggested that they supported the British position but the Spanish and Portuguese said further EC measures were needed.

W German economy set to exceed 4% growth

By David Goodhart in Bonn

WEST GERMANY's economy grew by 4.4 per cent compared with the first quarter of 1989, driven by investment and private consumption.

It looks set to fulfil Finance Ministry expectations of a growth rate above 4 per cent for the year as a whole.

Mr Helmut Haussmann, Economics Minister, said yesterday that the continuing dynamism of the West German economy – which at the end of last year had been expected to grow by only 3 per cent in 1990 – created an excellent springboard for the challenges of unity.

The Finance Ministry also stressed that the DM160bn ($94.7bn) in extra tax revenues that it was expecting over the next five years thanks to the higher growth trajectory could be higher still if the first-quarter growth rate continued.

The 1990 estimate of an extra DM8bn in tax revenue was based on an annual growth figure of 3.8 per cent and the 1991 extra revenue of DM28.5bn was based on 3.3 per cent, both of which are now likely to be surpassed.

West Germany's trading partners will also be pleased that growth is no longer export-led.

Compared with the first quarter of 1989, imports (12.7 per cent) rose faster than exports (10.2 per cent); although comparing the first quarter of 1990 with the last quarter of 1989 exports (8 per cent) were once again rising faster than imports (5 per cent).

According to a report published yesterday from the Hamburg Economic Research Institute German unity should give a further push to reducing the West German trade surplus.

Continued on Page 16

High-tech phone line blocked by Washington export ban

By Hugo Dixon in London

AN AMBITIOUS $500m scheme to construct a fibre optic cable across the Soviet Union has been blocked by the Commerce Department in Washington because of concerns that it would pose a threat to US national security.

The cable was to have been a joint venture between the Soviet Ministry of Communications and a consortium of western telecommunications groups, including US West and British Telecom. It would have involved the export of high capacity cables which are currently not produced in eastern Europe.

The US decision to bar exports of the cable comes as the Co-ordinating Committee on Multilateral Export Controls (Cocom), which comprises most Nato countries plus Japan and Australia, is meeting in Paris to review rules on high-technology exports to eastern Europe.

The Pentagon in Washington is understood to have been concerned that the cable, intended for civilian use, could be diverted to military purposes. The US Central Intelligence Agency and security services in other countries are also said to have been worried that the installation of such advanced equipment would make it more difficult to monitor telephone traffic in the Soviet Union.

US West said it would ask for a review of the decision. It said it believed the trans-Soviet cable would help open up Soviet society.

A trans-Soviet link would complete a network of fibre optic cables encircling the globe. At present, calls to the Far East from Europe are routed either via satellite or on cables from the US.

The Soviet Union hoped that the cable, which would sharply upgrade its backward telephone system, would also provide a means of earning hard currency from transit traffic.

The US decision to block the export of fibre optic cables with a speed of 140 megabits per second or more, seems likely to be adhered to by other members of Cocom.

Last month, the US State Department refused American Telephone and Telegraph permission to use Intersputnik, the Soviet satellite system, to carry calls between east and west.

Cocom to reduce technology curbs, Page 3; Eastern Europe tries to phone home, Page 15

Executive of former B&C unit accused in $100m share plot

THE HEAD of securities at GIL Nominees, a former subsidiary of British & Commonwealth Holdings, the failed UK financial services group, was involved in a "staggeringly simple" plot to steal shares worth up to £60m ($100m), a jury at Southwark Crown Court in London was told yesterday.

The share certificates were to be used to persuade a Swiss bank to lend £30m for a bogus property development, according to the prosecuting counsel, Mr Bruce Houlder.

Administrators were appointed on Sunday to run British & Commonwealth in one of the biggest corporate collapses in British history. No link was apparent, however, between the failure of the company and the case which came to court yesterday.

Mr Colin McCullough, 45, former head of securities at GIL Nominees, Mr Michael Beasley, 46, and Mr Patrick Barry, 54, both unemployed, deny conspiracy to steal shares and conspiracy to make an implement to manufacture share certificates between January 1 1988 and June 13 1989.

Expected sales of parts of British & Commonwealth failed to materialise yesterday. It was also announced that Stock Beech Securities, the market-making arm of B&C's Stock Group subsidiary, had ceased trading. It dealt in shares of small companies. Report, Page 17. Analysis, Page 11.

Mr Houlder said Mr McCullough had been approached by Mr Barry, "the promoter and prime mover of this little scheme. McCullough was the inside man and Michael Beasley was the fixer."

The court heard that Mr Beasley knew Mr McCullough because they had worked together in the City of London and introduced Mr Barry to him.

Mr McCullough was responsible for all UK shares held by GIL Nominees, a B&C subsidiary at the time of the alleged offences. GIL held securities for other companies and individuals, the jury heard.

Mr Houlder said the plan called for Mr McCullough to steal the shares and pretend they had gone missing in the mail. Duplicates would be sent to replace the stolen shares.

"Astonishing as it may seem in the City of London, at times of high activity shares do sometimes go missing and duplicates are then applied for," said Mr Houlder.

The court heard that Mr McCullough passed over the company seal – "a much guarded piece of machinery" – to Mr Barry. Mr Houlder said it was to be used to forge documents to show that the defendants were lawfully entitled to be in possession of the shares.

The court heard that an American named only as Ron set up a nominee company into whose name the stolen shares – worth between £40m and £60m – would be transferred.

A Swiss bank was to have been approached and, using the shares as security, asked for £30m to fund a building development in California.

The jury heard that police had had the men under surveillance and made arrests before the scheme was put into operation.

ONTENTS

Mitterrand pricks French conscience over low-paid

President Mitterrand is only too aware of the extent to which France's economic success has been built on the backs of the low paid. But now it is beginning to show in his declining popularity in the polls.

Page 6

MARKETS

STERLING
New York lunchtime:
$1.6865
London:
$1.6885 (1.684)
DM2.8475 (2.8475)
FFr9.6075 (9.6)
SFr2.4125 (2.4175)
Y257.50 (257.0)
£ Index 89.3 (88.9)

GOLD
New York: Comex Aug
$361.0 (363.6)
London:
$357.25 (358.75)

N SEA OIL (Argus)
Brent 15-day Jul
$15.675 (15.625)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.6888
FFr5.6910
SFr1.4290
Y152.50
London:
DM1.6870 (1.6905)
FFr5.690 (5.7)
SFr1.4285 (1.435)
Y152.50 (152.6)
$ Index 67.6 (67.8)
Tokyo close: Y152.60

US Lunchtime Rates
Fed Funds $8\frac{1}{16}$%
3-mo Treasury Bills:
yield: 7.962%
Long Bond:
$103\frac{5}{32}$
yield: 8.441%

STOCK INDICES
FT-SE 100:
2,358.5 (−21.6)
FT Ordinary:
1,861.0 (−12.9)
FT-A All-Share:
1,161.07 (−0.7%)
New York lunchtime:
DJ Ind. Av.
2,914.08 (−10.92)
S&P Comp
365.20 (−1.44)
Tokyo: Nikkei
32,953.50 (+31.68)

LONDON MONEY
3-mo int'bank close:
$15\frac{1}{32}$-$15\frac{1}{16}$% ($15\frac{3}{32}$)
Liffe long gilt future:
Sep $83\frac{7}{32}$ ($84\frac{5}{32}$)

AMERICAN NEWS

Anti-trust limit move opposed

By Peter Riddell, US Editor, in Washington

THE Bush administration will seek to remove limitations on foreign investors embodied in a bill approved late on Tuesday by the House of Representatives. The bill would extend immunity from existing anti-trust regulations to manufacturing joint ventures.

The White House backs the broadening of anti-trust exemption but opposes a limit on foreign participation of no more than 30 per cent in any of the companies involved and a provision that the facilities of such joint ventures must be in the US. Officials argue that such limits are inconsistent with the US's international agreements .

The Senate has yet to hold hearings on a similar measure, though this would not exclude foreign investors from the anti-trust exemption. The White House will favour this version.

The fate of the bill is uncertain because Senator Howard Metzenbaum, Democratic chairman of the Senate subcommittee on anti-trust matters, opposes the overall extension of anti-trust exemption.

Foreign governments and investors have lobbied against the restrictive aspects of the measure, arguing that these would discourage foreign participation in joint ventures.

Supporters of the restrictions on foreign involvement argue that many overseas governments give their companies far more help than does the US in the form of subsidies and otherwise.

Brazil to consider 'debt for nature' conversion

BRAZIL'S President Fernando *Collor de Mello said yesterday* that the Government would consider trading part of Brazil's $114bn foreign debt for programmes to preserve the Amazon, AP reports from Rio de Janeiro.

Until now, the Government has rejected these "debt-for-nature" swaps on grounds that they would violate national sovereignty.

But when asked if the Government would consider debt-for nature swaps in forthcoming negotiations with foreign creditors, Mr Collor said: "We are open to dialogue. There is no difficulty in us debating the possibility of conversion of debt for ecological projects in the country."

Mr Collor also said that army troops would be used to stop slash-and-burn devastation in the Amazon region as part of a new campaign to protect the world's largest wilderness.

"Our soldiers, besides being the guardians of our frontiers, will be the guardians of our Amazon rainforest," he told reporters at a remote ranch in Brazil's Pantanal region in the western Amazon state of Mato Grosso Do Sul, near the Bolivian border.

"We don't want to build an ecological sanctuary," Mr Collor said. "But we need to preserve the forest so we ourselves can progress."

Mr Collor said that troops stationed in jungle outposts along Brazil's borders with Venezuela, Peru, Colombia and Bolivia would patrol the Amazon on foot and in army helicopters and arrest those found illegally clearing the rainforest.

Scientists equipped with satellites are to alert troops and rangers to burnings, often caused by poor migrants and ranchers who seek to clear the forest for planting and grazing in the dry months of June, July and August.

"If we don't work to stop the continued burnings, the devastation will increase rapidly," he said.

Mr Collor said the operation would be mounted within 60 days, but he gave no other details.

The carbon dioxide gas produced by the burning is believed to add to the greenhouse effect that is warming the earth's surface.

Recent studies by the Brazilian Space Research Institute show that the entire 2m square mile Amazon could be wiped out in 50 to 100 years if deforestation continued at its present rate.

Independent studies show some 12 per cent of the jungle has been destroyed, though the Government claims the correct figure is 5 per cent.

● An aircraft with 41 passenger crashed in Brazil's Amazon region near the Trans-Amazonian highway yesterday killing 14 passengers, an airline spokesman said, Reuter reports. The aircraft was on a flight from Belem, north of Rio de Janerio, to Cuiaba in the interior.

California voters double state's tax on petrol

By Louise Kehoe in San Francisco

CALIFORNIAN voters have passed measures that will double the state's tax on petrol sales, ending 10 years of resistance to raising state taxes.

Electors also approved on Tuesday companion measures to lift California's constitutional spending limit and allow the sale of nearly $8bn in bonds to fund improvements in the state's over-burdened transportation system.

The petrol tax rise – expected to realise $15.5bn over ten years – will double the state's 9-cents-a-gallon tax via graduated steps over the next five years. Also, the so-called Gann Limit on state spending was raised to allow the extra revenue realised to be spent.

Supporters of the propositions argued that road congestion is choking the state's economy by restricting the movement of goods and services, producing tons of smog, and discouraging businesses from expanding in California.

Californian voters also nominated, in the Democratic Party's gubernatorial primary, Ms Dianne Feinstein, former San Francisco mayor.

Peter Riddell adds from Washington: The Californian results were keenly awaited in Washington, not only because of the importance of control of the governor's office for influencing the forthcoming changes in Congressional district boundaries (and hence the control of up to a dozen House of Representatives seats after 1992) but also for signs of a change in public mood in the results of various propositions.

The administration and Congress will want to digest the clear, though not overwhelming, vote in favour of a doubling of the state's low petrol tax to finance road-building and mass transit.

There have been signs in recent national opinion polls of a drop in opposition to tax increases, but the federal budget negotiators will be cautious about assuming that the Californian vote can translated into possible support for an increase in national taxes. However, it will keep open the debate in Washington.

Elsewhere, in various primary races for elections in November, Mr Harvey Gantt became the first black person for well over a century to be nominated for a statewide race in North Carolina. The former mayor of Charlotte comfortably won a Democratic run-off poll to challenge for the seat of Senator Jesse Helms, the controversial incumbent right-wing Republican. The contest will attract national attention, and money.

In several states supporters of abortion rights won primary races, notably in Iowa where Mr Don Avenson, state House Speaker, won the Democratic Party's nomination for the governorship against an anti-abortion opponent.

Budget talks resume

By Peter Riddell in Washington

BUDGET negotiations between the Bush administration and congressional leaders resumed yesterday, after a near two-week break, with no expectation of any early agreement.

The two sides are still discussing the size of a multi-year deficit reduction package, though this will probably start in the $45bn-to-$55bn range for the 1991 fiscal year.

They have not begun to consider the balance of possible measures.

The White House is trying to step up the pressure for an early agreement, but congressional Democratic leaders are wary of being blamed for any tax increase, especially in this congressional election year. No serious bargaining is expected until next week at the earliest.

To complicate matters, the House of Representatives is due to start drafting appropriations bills on individual spending programmes and the Senate may go ahead with a preliminary budget resolution. Republican Senator Phil Gramm has warned that passage of spending bills would "represent a virtually insurmountable obstacle to negotiating a good-faith compromise on the budget."

The talks yesterday and today are focusing on defence spending and international commitments, with Mr Dick Cheney, Defence Secretary, and Mr Brent Scowcroft, National Security Adviser, meeting the 22-member negotiating team.

Banking chiefs press case for wide-ranging reforms in US financial regulation

THE PRESSING need for major reform of US financial regulation is a leading topic of the International Monetary Conference in San Francisco this week, David Lascelles reports from San Francisco.

The gathering of top commercial and central bankers from around the world heard warnings from various speakers that the US banking system faces severe pressures in the 1990s which would require Congressional action.

These include:

- Low profitability caused by over-regulation and by competition from non-banks.
- The US savings and loan crisis, whose full size cannot yet be measured but whose cost will have to be borne by the US taxpayer.
- The US deposit protection system, which guarantees depositors against all losses, encourages banks to take excessive risks.
- The inability of banks to offer the full range of services, including securities finance, demanded by their customers.
- A proliferation of financial regulators who do not always co-ordinate their work.

Mr Gerry Corrigan, president of the New York Federal Reserve Bank, favours substantial regulatory reform. He warned that the US was falling behind Europe in dealing with the changes of the industry.

Mr Denis Weatherstone, chairman of J.P. Morgan, the fourth largest US bank, warned that what he called the confused and inadequate US regulatory structure made it even harder for the US to manage financial crises.

The frustrations of commercial bankers were echoed by Mr Bill Butcher, chairman of Chase Manhattan Bank, the second largest US bank, who said his bank was still considering whether to give up its banking licence if this became feasible.

The attractions of competing in financial services from a non-banking standpoint were underlined by Mr Philip Benton, president of Ford Motor Company, which has entered the lending and leasing business and has assets of $115bn, but without the need for a banking licence. He told the bankers that his company expects financial services to make a growing contribution to profits, rising from its present 15 per cent level.

Bankers also expressed their worries about environmental issues. Although they now put "green" considerations into their lending decisions, they are worried by recent court decisions in the US which effectively give cleansing first claim on a bankrupt company's resources, and so make lenders second class creditors. Bankers warned that this would complicate lending to vulnerable companies.

Economy polarises wary Peru voters

Sally Bowen on a neck-and-neck election

THE CANDIDATES in Peru's bitterly-fought presidential election campaign are running neck and neck before the final round of voting on Sunday. The last opinion polls published two weeks ago showed about 12 per cent of the electorate undecided.

Since the first round on April 8, when novelist Mr Mario Vargas Llosa received 27 per cent and agricultural engineer and ex-university rector Mr Alberto Fujimori 24 per cent of the vote, it has been clear that the election has exposed historic divisions in Peruvian society.

Racism briefly raised its head – Mr Fujimori is the son of Japanese immigrants – and was followed by a warning from the Roman Catholic Archbishop of Lima about the fact that Mr Fujimori – though himself a Roman Catholic – was heavily supported by Peru's tiny minority of evangelists.


Fujimori, left, and Vargas Llosa: bitter campaign

Add to this the fact that Mr Vargas Llosa is broadly backed by the upper and middle classes and big business and Mr Fujimori by small businessmen, workers, peasants and Peru's underemployed, and it makes for the most polarised election in decades.

A two-and-a-half hour television marathon last Sunday was less noteworthy for policy clarifications than for the frequent outbursts of animosity between the two.

Peru's economic plight has been the dominant election issue throughout the campaign. Accumulated inflation over the five years of Mr Alan Garcia's American Popular Revolutionary Alliance government (Apra) has reached a staggering 1m per cent. Over the same period, gross domestic product has fallen 5 per cent, despite an initial burst of growth in the first two years, and per capita production remains around the levels of 30 years ago.

Mr Vargas Llosa's Democratic Front (Fredemo) economic programme is the technically clearer and simpler to administer. It calls for an immediate, "radical" attack on inflation, with a "drastic reduction of the fiscal deficit", along the lines of the Bolivian, Mexican and Chilean experiences. Under a Fredemo government, Peru would be transformed into a free market economy, ending the "mercantilist" practices, monopolies and protectionism to which local business has long been accustomed.

The state's role would be reduced to providing essential health, education and communications services and publicly-owned enterprises, currently costing Peru $2,500m (£1,500m) annually, would be privatised.

Mr Vargas Llosa's request for a clear first-round mandate for this economic programme was, however, rejected by voters, whose nervousness at the prospect of an Argentinian-style "shock" adjustment was exploited by left-wing and Apra alike. Mr Fujimori, who like his opponent benefited from widespread disillusionment with traditional parties, is also a political debutant, but he has astutely made opposition to Mr Vargas Llosa's "shock" proposals the core of his programme.

Instead, he promises half-sceptical Peruvians "stabilisation without recession". His Cambio (Change) 90 government would seek to reduce inflation to 100-200 per cent in the first year while protecting workers' purchasing power and re-activating the economy.

Cambio 90's technically respectable but unorthodox economic advisers point to the self-perpetuating nature of inertial inflation and expectations. They would introduce a new, strong currency pegged to the dollar together with selective price controls and help close the fiscal deficit by ending costly subsidies to food imports. In the television debate on Sunday Mr Fujimori re-emphasised his party's commitment to labour stability and to the maintenance of major state companies, although many, he agreed, should be made more efficient.

Mr Alejandro Toledo, a respected economist from the graduate school of business studies, Esan, said: "The question of who wins the election is, in view of the economic situation, almost irrelevant". He is equally pessimistic about both programmes in the short term – "The Fredemo programme is not viable," he said. "For a shock programme, you need a minimal consensus which does not exist here. With 500 per cent price rises, there will be social explosion, strikes and sackings which will make stabilisation impossible."

On the other hand Mr Fujimori's economic gradualism was technically impossible, he said. "There is no known example of stabilisation which does not involve a fall in salaries and purchasing power."

'att points to cost of Stockholm's protectionism

Villiam Dullforce in Geneva

TRADE protection enjoyed by en's farmers and manufacturers of es and clothing amounts to a tax tween 7.6 per cent and 8.8 per cent le annual income of the average ish household.

ansfers to the farmers alone cost household almost SKr8,500 (£830) 89, when Swedish consumers are lated to have paid an extra 5bn for basic foods such as cereals, products, meat and sugar.

ese calculations are taken from an ination of Swedish trade policy by secretariat of the General Agree- on Tariffs and Trade.

e trade has long been a fundamen- rinciple in Sweden, where exports mports each represent roughly 30 ent of gross domestic product and many of the largest industries export well over half their output. But the Gatt report underlines the discrepancy between this commitment and the Swedes' protection for their domestic farming, food processing, textiles, clothing and footwear industries. Assistance to these sectors has been provided without taking into account "aspects of economic efficiency and world trade", the Gatt secretariat says.

The Swedish Government is already committed to reforming its farm and textile policies. Acknowledging that its food policy has become a strain on public finances and a spur to inflation, it has scheduled a five-year reform of agricultural regulations. It has also declared its intention of removing all quantitative restrictions on imports of textiles and clothing from July 31 1991 and on footwear from January 1 1993.

Agriculture and textiles trades are the issues threatening to derail Gatt's trade-liberalising Uruguay Round.

Stockholm says that the amendments to textiles and footwear policies will be implemented regardless of results from the round. But it has made clear that changes in border protection for farmers depend on the outcome of the farm trade negotiations, now deadlocked by the conflict between the US and the European Community.

Several countries pointed out in the Gatt Council yesterday that, even after the removal of import quotas on textiles and clothing, Swedish customs duties would remain relatively high and developing countries would still have to compete with duty-free imports from the EC and Sweden's partners in the European Free Trade Association.

Public procurement in Sweden is also critically assessed in the Gatt review. Less than 5 per cent of public purchases of goods and services – valued at SKr157bn in 1985-86 – are covered by the Gatt code. The secretariat alleges that many major state agencies practise closed tendering and singles out the State Power Board for not advertising upcoming procurements and for selecting bidders; this assertion was contested by the Swedish delegation.

Excluding agriculture, textiles and footwear, Swedish trade policy emerges from the Gatt review with a fairly clean bill of health. Tariffs average a fairly low 5 per cent.

US plays down its use of unilateral trade sanctions

By Nancy Dunne in New York

MR JULIUS KATZ, the deputy US trade representative, yesterday insisted that the US use of unilateral trade sanctions was "a self-liquidating problem" which would disappear once trade negotiators agreed to a strong "rules-oriented structure" within the international trading system.

He told a trade conference in New York yesterday that raising the issue of US unilateralism had "distorted" the negotiations. Section 301 of US trading law would not be a problem, he said.

Mr Roger Porter, President George Bush's assistant for economic and domestic policy, avoided an opportunity to comment on the demands of American trading partners that the US abandon its rights to unilateral trade action.

But he stressed the reduced power of individual governments, which has grown out of advanced technology and economic interdependence.

Mr Porter warned against "the old notion of nations rigidly defined by national borders and subject to unchecked sovereign government power".

He said: "The choice of viable policy options is much more constrained and is much less open to unilateral manipulation... the logic of economic interdependence is acceptance of greater constraints on government action and greater international co-operation."

Mr Porter also warned of increased pressures by "special interests" as the Uruguay Round draws to a close this year.

A strengthened general agreement on tariffs and trade was vital, Mr Porter said, to check protectionism and manage trade. While there is general agreement within the world trading body that countries should open their markets for their own good, "there are always temptations to stray".

Speaker after speaker yesterday warned of the looming deadline for completion of the round. Mr Katz said he believed that agreement was possible on the framework for a textile settlement by next month. But progress has lagged on agreement to curb domestic subsidies.

wedes look for business across the Baltic

prudent pace marks new trade strategy with eastern Europe, writes Robert Taylor

WEDEN is developing a trade strategy towards its east European neighbours ts own prudent pace, ting a characteristic cau- about business prospects vhat many companies d as an unstable area.

il recently, the Baltic Sea ed a formidable barrier to volution of Swedish trad- nks with its old commu- loc of neighbours. Indeed, g the 1980s Swedish ts to eastern Europe d and imports from there ed by a third. In 1989 less 3 per cent of Sweden's ts went to, and 3.7 per of the country's imports from, that market.

Swedish Export Council not expect much overall vement to those figures e near future, though missions from Stockholm tern Europe have grown he past year. "The lack of currency in the east is the roblem," says Mr Staffan rom at the Export Coun- it the lack of convertible ncies is not the only head- or Swedish companies.

ves towards more mar- iented economies have trade more, not less, dif- "Many companies don't who to deal with. And is a lack of basic market nation in the east," ns Mr Renstrom.

iet trade is especially dictable. There are 57 ered joint ventures en Swedish companies oviet bodies but only 10 erational. A recent Swed- legation led by Mr Rune the Industry Minister, scow pressed the authori- meet their financial obli- s to up to 10 Swedish nies which had not been tly paid.

pite, the hurdles a grow- mber of Swedish compa- re looking east to new ts, in particular those a modest toehold there the days of communist

ibro, the Swedish manu- er of kidney dialysis and ive care equipment, for ce, believes eastern e could become its fast- owing market in the estimating that the of its sales of medical ts there will rise from m (£9m) last year to m by 1995.

same is true of Alfa the dairy equipment and s engineering group, announced in April that nded to strengthen its g marketing network in n Europe, through its named subsidiary Alfa Engineering AB. The ny has an estimated bn already invested in d plant capacity in the and its sales last year mounted to SKr500m.

Swedish conglomerate e greatest potential for through its existing trade connections is el Johnson group, in e first west European y to sign a commercial g agreement with the Union. Today Axel Johnson accounts for up to 30 per cent of all Swedish trade with the Soviet Union. It exports stainless steel, speciality oils, machinery and other industrial equipment and in return imports into Sweden oil, ferro-alloys, coal and chemicals.

Recently a new company, East Capital AB, emerged from the Axel Johnson group with SKr256m to spend on acquiring and building commercial premises in Berlin, Prague and Warsaw.

Many of Sweden's engineering and construction companies such as Sandvik and Skanska look well placed to secure orders to renovate the area's decaying infrastructure and obsolete industrial plant and machinery.

Two years ago Asea Brown-Boveri, the Swedish-Swiss engineering group, had only a limited interest but over recent months chief executive Mr Percy Barnevik has begun to develop an *Ostpolitik*. At the moment the company estimates it has 1 per cent of its annual turnover coming from its trade with eastern Europe, but over the next five years it plans a 500 per cent expansion there, mainly through joint ventures.

Electrolux, the white-goods manufacturer, announced recently that it had acquired a majority interest in Lehel, Hungary's largest white goods company, while the telecommunications giant Ericsson – with financing by the World Bank – has taken on a SKr10m order for a mobile telephone system in Budapest.

There is certainly potential in the polluted east for many Swedish companies involved in environmental cleaning. The Kemira group is involved in the clean-up of the Vistula River in Poland through a water purification plant, while the Flakt division of ABB is interested in environmental projects.

Sweden's consumer products tend to be high-cost and high-quality, of limited interest to the present eastern market, but some companies in that sector believe they can succeed. Ikea, the do-it-yourself furniture company, is hopeful of growth.

"It has shown the way," says Mr Stenstrom. For the past 20 years Ikea has had production facilities in the east – but for the western market. In March it opened its first store in the east, in Budapest. More are planned for Poland and the Soviet Union through joint ventures. Ikea also plans to modernise and re-equip up to 35 Soviet factories which will produce furniture mainly for the Soviet market.

Doubts and scepticism remain about short-term business prospects. Volvo recently threw cold water on the expectations of trade in eastern Europe in an internal memorandum to senior managers, drawing attention to the familiar obstacles – lack of currency convertibility, entrepreneurial acumen, purchasing power and, above all, functioning market economies.

The Swedish Government, meanwhile, has allocated SKr1bn over the next three years from its aid budget to help in the development of eastern Europe. Sweden is also a member of the new London-based European Bank for Reconstruction and Development and will contribute about SKr1.7bn over a five-year period in addition to its initial capital of SKr75bn. Investment protection agreements have been signed with Poland and Hungary.

SWEDEN'S TRADE WITH CENTRAL AND EASTERN EUROPE (SKr)

	Exports		Imports	
	1988	1989	1988	1989
Soviet Union	1.8bn	2.5bn	4.5bn	5.1bn
Yugoslavia	1.5bn	1.9bn	879m	952m
Poland	1.3bn	1.8bn	1.9bn	2bn
East Germany	1.2bn	1.2bn	2bn	1.9bn
Hungary	899m	828m	763m	836m
Czechoslovakia	731m	696m	686m	736m
Bulgaria	355m	400m	65m	76m
TOTAL	7.9bn	9.3bn	11.1bn	11.9bn

Source: Swedish Export Council

CoCom set to reduce technology curbs

SENIOR western trade officials yesterday began a two-day meeting to seek agreement to reduce controls on the export of strategic technology to the Soviet Union and eastern Europe, William Dawkins reports from Paris.

CoCom, the Co-ordinating Committee for Multilateral Export Controls, meeting at a secret location in Paris, is considering proposals greatly to liberalise sales of computers, telecommunications equipment and machine tools.

If agreed, as expected, this would be CoCom's first big gesture to eastern Europe's need to import western high technology to help them move towards market-based economies. It would also reflect a new willingness by Washington to bless liberalisation.

CoCom's 17 members are taking the three product areas as a single package in the hope of getting a wide-ranging accord, said diplomats. Drawn from CoCom's dual use list of items that have both industrial and military value, they were chosen because they are seen as the most crucial to helping modernise eastern economies.

'ug wholesalers unite prepare for 1992

ter Marsh

NSORTIUM of leading uropean pharmaceutical alers has been formed to dvantage of the planned nisation in the licensing or medicines after 1992.

formation of Paris-based ned is the first signifi- indication of a new ch to pan-European pur- g in the region's £25bn- drugs industry.

companies are Office ercial Pharmaceutique ce, Gehe of West Ger- and AAH of Britain. All re among the top three nes wholesalers in their ive countries.

resent, most medicines alers in Europe buy and oducts largely within own countries. The salers act as the link en drug makers and utlets.

oss-border approach is ly difficult in the Euro- ommunity because indi- countries have different elating to the licensing s. That reduces substan- the volume of inter-European medicines trade.

According to European Commission plans, registration of drugs across the community will be harmonised after 1992.

The commission wants licensing approvals for some medicines to be handled centrally with the help of a new pan-European medicines agency. Other drugs would be approved by government bodies in individual countries but with these agencies agreeing in advance to share data and correlate decisions.

Mr Bill Revell, a director of AAH and of Tredimed, said Tredimed aimed to build up gradually over the next few years. It would have significant revenues by the mid-1990s.

He said Tredimed would be based on the philosophy that most European countries would have the same licensing regimes after 1992. Thus the company would be able to buy large volumes of drugs from specific manufacturers and channel them into different countries where regulatory rules were harmonised.

Hitachi outstrips competitors with mainframe launch

By Stefan Wagstyl in Tokyo

HITACHI, the Japanese electronics group, yesterday launched a new mainframe computer which it claims is the world's fastest.

The announcement will increase pressure on other manufacturers, including IBM of the US, the dominant producer, to hasten the introduction of new models.

Hitachi's move highlights the growing confidence of the Japanese computer industry and its ability to develop top-performance machines at a pace matching IBM.

It intends to market the machine simultaneously in Japan, North America and Europe, where it will be sold by Hitachi Data Systems and Comparex, its affiliated companies.

The new M-880 range has four models, of which the fastest, the M-880/420, has four processors, capable of handling up to 155m instructions a second.

This is considerably faster than the maximum 88m instructions achieved by Hitachi's current top-of-the-line machine or by any other IBM-compatible mainframe computer. However, computer industry executives in Tokyo said other manufacturers would quickly launched machines to rival Hitachi's.

IBM is almost certainly better placed to fight back than other makers because of its huge financial and marketing resources. Both Fujitsu, the biggest Japanese computer maker, and Amdahl, the US maker which is 46 per cent owned by Fujitsu, may be more severely affected – particularly Amdahl, which has sold tranches of stock to Fujitsu to fund computer development.

Hitachi is likely to concentrate on marketing the new machine in the US, where it recently refurbished its sales operation.

According to Garnter Group, a market research company, its share of the US market for IBM-compatible mainframe computers is less than 10 per cent, compared with more than 80 per cent for IBM.

IBM is also market leader in Japan with 33 per cent of the installed machines against 24 per cent for Hitachi, 23 per cent for Fujitsu, 12 per cent for Unisys, a US company, and 8 per cent for NEC. However, Hitachi's sales have been increasing the fastest.

Square bashing: prisoners are drilled at Peking's labour reform camp, which still holds hundreds of pro-democracy campaigners despite yesterday's releases

China frees 97 prisoners to improve tarnished image

CHINA has freed 97 people jailed for their part in last year's democracy campaign, in an attempt to improve the sagging image of Peking's communist rulers at home and abroad, Reuter reports from Peking.

Diplomats said yesterday's amnesty, announced two days after the anniversary of last June's crackdown in Tiananmen Square, was to ensure China retained its most favoured nation trade (MFN) status with the US and to prompt Washington to end opposition to World Bank loans.

The Public Security Ministry, quoted by the official New China News Agency, said the prisoners were released "because they pleaded guilty, voluntarily confessed and expressed a willingness to repent."

A western diplomat said: "They [Chinese authorities] are holding people as hostages and they release some of them whenever they want something. They are still worried about Congress on MFN."

President George Bush recommended last month that preferential tariff treatment be retained on Chinese goods imported into the US, although some congressmen threatened to challenge him. Mr Bush has linked progress in Sino-US relations with an improvement in China's human rights record.

Peking, eager to offset a loss of foreign tourism and investment dollars since last year's events, wants the World Bank to restore lending. The bank has made credits available to China for humanitarian purposes but has cut most loans since the army crushed the democracy movement, killing hundreds of people in the capital.

Peking released 211 prisoners last month and the latest action brings the total freed since the crackdown to 881, according to the Government. It added there were still 334 people held.

The prisoners freed included Xiong Wei and Zhou Fengsuo, who were once on a list of 21 most-wanted student activists. Chen Qiwei, deputy director of the economics department of Huadong University in Shanghai, and Yang Lujun, a researcher at the Shanghai Academy of Social Sciences, were also released. The list did not include two of China's best known prisoners, student leader Wang Dan and activist Ren Wanding.

Taiwan's exports fall by 10.6%

By Peter Wickenden in Taipei

TAIWAN'S May exports were down 10.2 per cent compared to May 1989, and its trade surplus fell nearly 20 per cent, the government statistics office announced on Tuesday.

Analysts said the figures are among the worst recorded since the first oil crisis in the early 1970s. May exports totalled US$5.64bn (£3.35bn), while imports fell 7.2 per cent to $4.38bn.

The collapse of the stock and property markets has drastically reduced purchasing power and so domestic demand, supposed to be the main driver of the economy this year, has slackened. The $1.26bn trade surplus is a 19.3 per cent fall compared to May last year, the first double-digit drop since 1973.

Total exports for the first five months of the year reached $26.5bn, only 1 per cent down on the same period in 1989. Imports, at $22.75bn, are up 5.5 per cent.

Exports of industrial products fell 9.5 per cent last month and are down 0.5 per cent for the year to date. Analysts said this is due to a drop in machinery exports associated with the moving of industry offshore.

The Council for Economic Planning and Development said the figures are a temporary phenomenon. It predicted that the recent depreciation of the Taiwan dollar will lead to slightly better, but not brilliant, export performance in the second half of the year.

Officials are more concerned about the trade deficit with Japan, which totalled $6.96bn last year and so far this year has reached $3bn, an 18 per cent increase.

HK deputies attack government

By John Elliott in Hong Kong

MEMBERS of Hong Kong's Legislative Council yesterday launched an outspoken attack on the colony's government, which they indirectly accused of being a "lame duck" administration which had set "wretched precedents" for the years after 1997 when China will have regained sovereignty.

The attacks came during a debate on a Mercedes car smuggling incident last month which led to five Hong Kong seamen being detained without trial in southern China for nearly four weeks.

The incident occurred when Hong Kong marine police failed to stop smugglers from China, including armed men in official Chinese uniform, illegally shipping three Mercedes from a remote Hong Kong quayside to the southern Chinese port of Shekou. The armed officials threatened the Hong Kong police who gave way.

The five seamen were returned to Hong Kong last week but the Mercedes were kept in China, where it is assumed they are destined to be used by government officials.

The event has caused widespread concern among Hong Kong's population which fears China's power to interfere in the colony after 1997. The detention of the seamen without trial, despite Hong Kong government protests, heightened the concern.

Yesterday, in the Legislative Council, Mr Martin Lee, a leading liberal campaigner, said that the Hong Kong government's failure to be more effective against China had set a "wretched precedent" for the post-1997 administration.

Another council member, Dr Leong Che-hung, said that Hong Kong's people could "not tolerate any more political cover-ups and under table deals which might result in their interests being sold down the river".

Thais to force Burmese to return home

THAILAND will forcibly repatriate 1,000 Burmese dissidents and ethnic guerrillas who fled across the border after the army crushed a pro-democracy uprising in 1988, a Thai army officer said yesterday, Reuter reports from Mae Sot, Thailand.

Thai soldiers will today round up 1,000 Burmese regarded as illegal immigrants and send them home through the Thai border town of Mae Sot, Col Boonlue Srimek said. He added that another 10,000 from four other districts of Tak province would be sent back soon.

"The situation in Burma is favourable for them to go back now. They have democracy and we cannot condone these people causing problems in the province any more," he said.

The refugees have strained local facilities, but Thailand, with permanent refugee settlements along its border with Cambodia, has been reluctant to open a second line of camps on its western border and has denied the United Nations and the International Committee of the Red Cross access to the Burmese.

Guerrilla sources say 26,000 Karens and members of other ethnic minorities are currently sheltering in Thailand.

North Korea condemns Roh talks

NORTH KOREA yesterday attacked what it called criminal international efforts to pursue a "two Koreas" policy, Reuter reports from Tokyo.

The attack, in the official daily newspaper Rodong Sinmun, appeared to be directed at the Soviet Union. It was Pyongyang's first official reaction to Monday's agreement between Soviet President Mikhail Gorbachev and his South Korean counterpart, Mr Roh Tae Woo, to move towards official ties.

The newspaper said the "two Koreas" policy was an anti-North Korean move that threatened world peace.

Pakistan welcomes talks with India

PAKISTAN is to respond positively to Indian proposals for reducing the threat of war over Kashmir and will urge New Delhi to open talks, a senior government official said yesterday, Reuter reports from Islamabad.

The Government will probably announce its official response today but it has already told Indian diplomats in Islamabad that it is ready for talks.

Details of the Indian proposals have not been made public. No decision has been made on a venue for the talks or their diplomatic level, but an official said Pakistan would be flexible.

Sri Lanka to axe Tamil council

THE Sri Lankan Government said yesterday it would dissolve the provincial council in the Tamil-dominated north-east and hold fresh elections, Reuter reports from Colombo.

A spokesman said the cabinet had considered the impasse created by the non-functioning of the north-east provincial council and had decided to enact urgent legislation to provide for fresh elections. The semi-autonomous council, created in 1988, was key to a pact between Sri Lanka and India to end a rebellion by the minority Tamil community.

The council stopped functioning three months ago when ministers fled the country fearing attacks by rival Tamil Tigers rebels.

Amnesty calls for Nepalese restraint

AMNESTY International called on the Nepalese Government yesterday to ban what it called the arbitrary arrest and torture of its citizens, Reuter reports from London.

The London-based human rights group said Nepal should take steps to prevent a recurrence of the large-scale abuses which it said took place during demonstrations for political reform earlier this year, when dozens of people were reported killed.

Zimbabwe police disperse defiant striking teachers

By Julian Borger in Harare

SHOPPERS in the Zimbabwean capital, Harare, ran for cover yesterday as riot police fired tear-gas into crowds of striking teachers who had gathered in the main square in defiance of a government ban on all strikes and demonstrations by civil servants.

The ban, announced on Tuesday, was in response to a growing wave of industrial action over pay levels.

Similar clashes between riot police and demonstrators took place in two other industrial centres, Bulawayo and Gweru.

The clashes signal a loss of nerve within the Government as strikes in the public sector gathered momentum since general elections in March. During the campaign, President Robert Mugabe's ruling ZANU (PF) party promised a general rise in public sector salaries and a restructuring of pay scales.

The 3,000 teachers, mostly junior grades, who walked out of schools across the country two weeks ago, were meeting to press their pay claim of 33 per cent and to denounce the government's use of the country's 25-year-old state of emergency to ban their strike.

Police officers gave them half an hour to disperse but moved in early when hundreds of school children ran through the streets shouting slogans in support of the teachers.

Long queues of unemployed high school graduates seeking jobs as replacement teachers were also forced to disperse as helmeted policemen, armed with tear-gas pistols and batons, patrolled the streets.

Junior nurses went on strike soon after the election, claiming like the teachers that only senior staff had benefited from campaign promises. The nurses were persuaded to go back to work with pledges that their case would be dealt with.

However, pledges made to the teachers that a new pay package would be introduced in July have failed to stem the strikes. The teachers have been joined by workers in Zisco, the country's iron and steel parastatal, and a number of administrative departments of the civil service.

Independent economists in Harare believe the Government is unable to meet its election promises over pay. Neither is it able to meet last month's instruction from Mr John Nkomo, Labour Minister, that all pay increases awarded over the coming year be more than 10 per cent.

Inflation is running at 18 per cent, even though the majority of basic consumer goods are subject to price controls which suppress a potentially far greater inflation rate.

Mr Bernard Chidzero, Zimbabwe's Finance Minister, has assured potential foreign investors that the Government is committed to cutting last year's budget deficit of just over Z$1bn (£241m) by 11 per cent. This target now seems out of reach, as growth in the manufacturing sector shows signs of slowing.

Israeli hopes of big oil find send shares soaring

By Hugh Carnegy in Jerusalem

PRODUCTION testing of an offshore oil and gas discovery has prompted hopes that Israel might have made a significant energy find, sending oil shares rocketing on the Tel Aviv Stock Exchange.

Isramco, the Nasdaq-quoted operator of the Yam-2 well, situated about 10 miles from the city of Ashdod, said yesterday that initial production testing at a depth of 17,413 ft would be completed within a few days. A second test at a shallower depth would follow.

Israel has managed to produce only small quantities of oil and gas, forcing it to rely on imports for most energy needs. With the exception of Egypt these cannot come from its oil-rich Arab neighbours, and a significant domestic supply would represent a considerable economic and strategic boost.

Energy ministry officials said Yam-2 was the most significant offshore discovery off the Israeli coast to date. But they added it was too early to judge whether the well was commercially viable.

The burn-off of gas and light gravity oil during the first test at Yam-2 over the weekend triggered so many rumours that the stock exchange suspended trading in oil shares for a day on Monday. Oil stocks have shot up since Isramco first announced in early May that it had made a discovery. Trading then was also suspended briefly.

Isramco began drilling the Yam structure last year. The first well was abandoned after two blowouts.

One small established onshore oil well and two gas fields produce 385,000 barrels a year, but this represents less than 1 per cent of Israel's energy requirements.

Rafsanjani holds out prospect of UK link

By Victor Mallet, Middle East Correspondent

PRESIDENT Hashemi Rafsanjani yesterday reaffirmed Iran's death sentence against Mr Salman Rushdie, the British author, but he said Tehran and London could resume relations if Britain condemned his novel, The Satanic Verses, as an insult to Islam.

"If Mrs Thatcher condemns Rushdie's novel, there will remain no problem in the way of a resumption of ties," Mr Rafsanjani told a news conference in Tehran. "However, we have no right to withdraw the late Imam's *fatwa*," he said in a reference to the late Ayatollah Khomeini's edict calling for Mr Rushdie's execution. "It

Rafsanjani: smoothing path

stays as it is."

Mr Rafsanjani has been struggling to reconcile his desire for improved international relations with the vociferous anti-western statements of his critics in the Iranian leadership.

The hard-line stand was reinforced on Tuesday by Ayatollah Ali Khamenei, Ayatollah Khomeini's successor as spiritual leader, who called for Mr Rushdie to be handed over to British Moslems to be executed for blasphemy.

Iran's divided leadership has made a series of conflicting declarations about the issue during ceremonies over the past week to mark the first anniversary of Ayatollah Khomeini's death.

Yesterday the British Foreign Office welcomed Mr Rafsanjani's desire for renewed relations with Britain – broken by Iran over the Rushdie affair last year – but cautioned that a number of problems remained to be solved, including the *fatwa*, the plight of British hostages held by pro-Iranian groups in Lebanon, and the fate of Mr Roger Cooper, the British businessman held without trial in Iran.

Mr Rafsanjani and his moderate allies would find it politically impossible to reverse one of Ayatollah Khomeini's decrees even if they wanted to.

The only way forward, therefore, is to set aside the *fatwa* as a religious matter and smooth the path towards diplomatic reconciliation with a British statement that can be interpreted in Iran as condemnation of Mr Rushdie or his book.

It remains to be seen how far Britain can go on this course without offending its own principles of free speech. Mrs Margaret Thatcher, the British Prime Minister, has stopped short of condemning the book, but she has welcomed the prospect of better relations and expressed understanding about the feelings of Moslems who believe their religion has been insulted.

Mr Rafsanjani told yesterday's news conference that he did not know if such comments would be regarded as condemnation, but said he had told the Iranian Foreign Ministry to improve relations as soon as Britain complied with Iran's position.

The president also urged the US to push Israel and Kuwait to free their Shia Moslem prisoners if it wanted help with the release of hostages in Lebanon.

Although holding out the possibility of an eventual peace with Iraq and a summit meeting with President Saddam Hussein, Mr Rafsanjani said Iran was cautious about Iraq's motives.

Western aid for Africa seen as a failure

By Peter Montagnon, World Trade Editor

THE West's record of aid for Africa in the past decade "can only be characterised as one of failure," Sir William Ryrie, Executive Vice President of the International Finance Corporation said yesterday.

Despite total aid flows of some $83bn between 1980 and 1988, the standard of living in sub-Saharan Africa fell by 1.2 per cent a year and the fall was even greater in Nigeria because of the decline in the oil price, he said in remarks prepared for delivery to a conference on development in Africa at the House of Commons.

The flows had left Africa with debt equivalent to about 100 per cent of its gross domestic product and over 350 per cent of its export earnings, he said.

Africa will continue to need large amounts of official aid on grant or near grant terms for some time if it is to avoid collapse, he said, but "all experience shows that aid provided to governments, especially in Africa, is not well-used."

Sir William said donors should ensure that aid did not create more debt. "More governments should be prepared to consider outright forgiveness of debt."

But, as part of efforts to ensure that aid was well-spent, there should also be more donor co-ordination. Aid should be linked to policy reform and the development of the private sector.

In the long-run, the key to African development was private investment, he said. "Africa will not achieve rapid growth, even moderately rapid growth, without an energetic private sector and a much higher level of private investment."

Mr Douglas Hurd, UK Foreign Secretary, told the conference that good government in recipient countries was an important qualification for aid.

"Economic success depends to a large degree on effective and honest government, political pluralism and observance of the rule of law," he said.

Africa should also make itself more attractive to private investment. There was no question of the UK diverting official aid funds to eastern Europe, but there was bound to be some diversion of private sector flows "unless Africa becomes a more attractive place in which to invest".

However, Mr Kenneth Dadzie, Secretary-General of the United Nations Conference on Trade and Development, warned that African countries would face difficulty expanding their exports of primary commodities during the 1990s because the markets for these in industrial countries were likely to remain depressed.

Diversification would require increased financing from multilateral and regional institutions and the developed world also had to provide access to African products.

The Lomé convention, under which African, Caribbean and Pacific developing countries receive duty free access for their exports to the European Community, offered only limited benefits because the duties applied to most of these products from other countries were very low.

The relative advantage accruing to African countries in their trade with Europe would diminish further as tariffs were cut in the Uruguay Round of the General Agreement on Tariffs and Trade. Farm liberalisation under the Round could add $600m (£357m) to Africa's foreign exchange needs because world farm prices would rise and Africa was on balance a food importer, he added.

S African whites in key vote

By Philip Gawith in Johannesburg

THE RULING National Party yesterday faced a test of President F.W. de Klerk's ambitious reform plans when white voters went to the polls in Durban's Umlazi constituency.

The by-election, the first since the release of Mr Nelson Mandela, the African National Congress leader, in early February was being billed as a referendum on reform.

The seat was made vacant by the appointment of Mr Con Botha, the sitting MP, as administrator of Natal. Mr Botha won last September's election with 6,149 votes, a majority of 2,835 over the second-placed Democratic Party who were 885 votes ahead of the Conservative Party.

Commentators are agreed that voters are likely to have either moved from the DP to the NP to ensure that the Conservatives do not win on the split vote or from the National Party to the CP in protest at President de Klerk's reform initiatives.

● The ANC has demanded an end to "acts of intimidation and provocation" following dawn raids on Tuesday and Wednesday on three houses in Soweto where ANC members recently returned from exile were staying.

Liberian rebels seize rubber centre

LIBERIAN rebels took control of the world's largest rubber plantation yesterday, residents in the area said, and government resistance to the rebel advance on Monrovia continued to crumble, Reuter reports from Monrovia.

Rebels led by dissident businessman Mr Charles Taylor took the Firestone Plantation, 30 miles east of the capital of the West African nation, after a battle in which residents said they heard mortar, machine gun and small arms fire.

Residents reached by telephone said they saw soldiers fleeing the battle, which lasted about an hour and a half, and diplomats reported that travellers later saw troops in disarray on the main highway.

One diplomat said Mr Taylor had only to deal with one military camp from which many soldiers have already fled before he could attack the outskirts of the city.

Mr Taylor invaded with a small band of rebels from Ivory Coast in December.

About 20 foreign staff, including several British and US citizens, were on the plantation but US diplomats said they did not appear to be in immediate danger.

There were no plans to send in US marines waiting in a six-ship task force off the Liberian coast to evacuate them, the diplomats said.

The government said it had sent reinforcements but residents said they saw few signs of a government counter-attack.

Namibian bank stake sold

THREE European banks have agreed to buy 70 per cent of the equity of Bank of Namibia through a jointly owned holding company, one of the banks said yesterday, AP reports from Brussels.

Banque Bruxelles Lambert of Belgium said that Société Financière pour les Pays D'Outre-Mer (SFOM) would buy the stake from Geneva-based Banque Financière de la Cité.

The West German Office for Co-operation and Development would continue to hold the remaining 30 per cent of Bank of Namibia, BBL said.

It said Bank of Namibia will boost its capital by R3m (£680,000).

SFOM is a Paris-based holding company founded to maintain a network of financial institutions in Africa. Banque Bruxelles Lambert and Dresdner Bank each have a 25.8 per cent stake in the company. Banque Nationale de Paris owns the remaining 48.4 per cent.

EC and Turkey push on towards customs union

By David Buchan in Brussels

THE European Community and Turkey should push on towards their long-standing goal of a customs union by the end of 1995, which together with EC industrial and financial help might take the sting out of last year's rejection of Ankara's bid to join the Community.

This is the thrust of a formal communication which the Commission yesterday sent to EC governments. It was welcomed by Turkish diplomats in Brussels who said it would "re-establish broken bridges" between Brussels and Ankara.

The proposed package of measures for Turkey contains little new, apart from promises of intensified industrial and technical co-operation and a closer political dialogue:

- The goal of a customs union by the end of 1995 figured in Turkey's 1963 association accord with Brussels which also talked of eventual full EC entry, though Ankara has slipped well behind the EC in mutual tariff-cutting.
- In the context of the "revived" customs union plan, Brussels is offering to phase out textile import quotas by the start of 1996 for Turkey, which is the Community's biggest outside textile supplier by volume. In the Gatt trade talks, the EC is suggesting that all textile quotas be phased out, though over a 10-year period.
- The Commission is retabling its old proposal for Ecu600m ($726m) worth of largely preferential loans for Turkey, which were suspended in 1981 when the Turkish military took over for a time but which since the restoration of democratic rule have been blocked by Greece.

However, Mr Abel Matutes, the EC commissioner responsible for Mediterranean policy, said Turkey could expect to attract "large amounts of investment" if the customs union was achieved.

Ringed in a customs union by the Community's common external tariff, with no internal tariff barriers between it and the Twelve, "it would be as though Turkey were a member of the Community in this respect," said Mr Matutes.

The commissioner said a customs union did not imply freedom for Turkey's large workforce to circulate within the Community, a concern of several EC states.

Havel's countrymen elevate him to god-like status

By Leslie Colitt

VACLAV Havel is gazing with fatherly concern at his fellow Czechoslovaks from thousands of election posters.

Two days before Czechoslovakia's elections, the omnipresent portraits of the playwright president evoke embarrassing comparison with the personality cult of his communist predecessors.

But Mr Havel, unlike the reviled former presidents – Klement Gottwald, Antonin Novotny and Gustav Husak – is idolised by his countrymen for having restored Czechoslovakia's moral position among nations. So much so however, that he is sacrosanct, beyond even the mildest criticism.

"In the eyes of the people he has done nothing which could be criticised. He is a symbol," explained Ms Jana Ryslinkova, of Civic Forum, Mr Havel's political movement. She admitted though that a further reason for the uncritical attitude was that after 40 years of communist dictatorship Czechoslovakia lacked the necessary political culture.

The only suggestion of criticism of the president in the Czechoslovak media, uttered with the greatest circumspection, involved some of his advisers, who were deemed insufficiently professional for their task. Mr Havel's decision to buy four BMWs for his use and that of senior ministers met with some surprise in a nation of car crazy owners of underpowered Skodas. But everyone was willing to forgive the president.

"Havel is untouchable, along with Cardinal [Frantisek] Tomasek," Mr Jaroslav Veis, an editor of the respected Lidove Noviny, reflected. His newspaper backs Civic Forum but even the opposition media observed an unwritten law: as the personification of the new Czechoslovakia, Mr Havel's image had to remain untarnished.

"No one feels it would be useful to criticise him," Mr Veis said. Foreign diplomats and journalists based in Prague, while fully acknowledging the president's high standards of conduct in office, find it difficult to sympathise with this uncritical approach.

"Much as I admire him, treating the president like a demigod is unnatural and potentially dangerous," a western ambassador observed. Indications are that Mr Havel has qualms about the adulation he gets but is unable to persuade his supporters to be more critical.

Mr Veis noted that one problem is that Mr Havel is the only political personality whom Czechoslovaks trust as being absolutely untainted and uncorrupted by past communist rule. Criticism of the president might thus be regarded as a betrayal of their confidence in him.

Consequently, the Czechoslovak press hinted only "between the lines" at Mr Havel's ambivalent role in the controversy surrounding Mr Richard Sacher, the People's Party leader and Interior Minister appointed by the president. Although Mr Sacher was accused of delaying the sacking of senior security police officials, Mr Havel – acting against the advice of Civic Forum leaders – refused to drop him. Typically, he instead urged the conflicting parties to reach a compromise.

Like the revered Mr Tomas G. Masaryk, the prewar first president of modern Czechoslovakia, Mr Havel prefers to stand above political quarrels. Some of his supporters wonder whether his policies, based on moral precepts, will continue to serve him well. Painful economic choices will be forced on an economically hard pressed nation which may require a more "practical-minded" president in Prague Castle.

President Havel said he is prepared to remain in office for a limited term of two years if, as is almost certain, he is chosen by the parliament to be elected this week. Expressing a view which is not widely shared among ordinary Czechoslovaks, Ms Ryslinkova said: "I only hope he will be clever enough to step down after two years."

Voters reading election posters in Sofia. The two leading parties are running neck and neck

Bulgarian election unlikely to produce stable government

By Judy Dempsey in Sofia

BULGARIA's two main political parties – running neck-and-neck just days before the country elects its first free parliament for more than 60 years – are both likely to split after the election no matter which party wins.

The emerging splits in the ruling Bulgarian Socialist (formerly Communist) party and the Union of Democratic Forces, the umbrella for 16 parties, are bound to weaken attempts by any coalition or party to tackle the economic crisis, push through reforms and deal with Bulgaria's debt repayments.

Both sides now expect fresh elections to be held within the next 18 months even though the National Assembly has a four-year mandate.

This uncertain political outlook arises because neither the BSP nor the UDF are sufficiently united to exercise power. Moreover, neither wants to rule alone.

The BSP wants to form a coalition with the UDF, even if the Communists win a majority of the National Assembly's 400 seats because it does not want to take full responsibility for pulling the country out of the crisis.

"The Communists want to share the blame when they face the electorate either next year or in four years time," commented several Bulgarian journalists.

Moreover, aides around Mr Andrei Lukanov, the Prime Minister and tacit head of the radical reform wing of the BSP – now divided into seven feuding factions – says he wants formally to break with the old Communist party.

Attempts at splitting the party were postponed at its congress last January largely because Mr Alexander Lilov, the uninspiring leader of the BSP, and others correctly believed it would reduce the party's chances in the elections.

Once the elections are over, there will be little reason to keep the discredited party together. Indeed, some radical members privately hope the party will lose so that the hardline rump can be permanently isolated and a new socialist party may perhaps become an effective parliamentary opposition.

The UDF, however, is in no better shape.

Some of its affiliates, such as the Club for Glasnost and Perestroika which was in the limelight last year now play a minor role, while Mr Petar Dertliev's Social Democratic Party, the country's inter-war socialist party, is gaining ground.

Several have tiny constituencies of support while others, such as the Bulgarian Agrarian Popular Union, led by Mr Nikola Petkov, earlier this week made a tactical blunder by saying his party would soon withdraw from the UDF because it lacked leadership.

This has made life difficult for Mr Zhelyu Zhelev, the UDF's cautious, somewhat uncharismatic leader. Belatedly he has tried to steer the UDF away from spending an inordinate amount of time criticising the BSP without spelling out its economic policies, and has tried to temper the UDF's nationalist/anti-ethnic Turkish lobbies.

His problems are compounded by the one overriding disadvantage the UDF has had to face in this campaign: it has had no experience of practising the art of politics or of being an effective opposition. Bulgaria's fledgling democratic experiment of the inter-war period was snuffed out after 1945 by the Communist party.

Kohl adviser warns Moscow over talks

By David Marsh in Bonn

A TOP West German government official yesterday warned the Soviet Union against slowing down the "2 plus 4" talks on German unity, pointing out the growing pressures to proceed with all-German elections at the end of the year.

The official said Bonn was still hoping to reach agreement with the four Second World War victors over the military status of a united Germany before completing the internal process of full political union.

But he said any participant in the "2 plus 4" talks who attempted to let the negotiations "drag on" risked seeing "developments [in internal unity] run ahead."

The official – a senior adviser to Chancellor Helmut Kohl – did not single out the Soviet Union by name. But his comments amounted to a clear warning to Moscow not to risk a stalemate by blocking Nato membership of a united Germany.

The official said a united Germany had the right to choose whether to become a member of Nato, which he stressed would have to change its structure and strategy.

He also made clear that, although Nato troops would not be assigned to the area of the present East Germany, the current West German army, the Bundeswehr, would cover all the new Germany.

The official estimated the size of a future German army at between 300,000 and 399,000 troops. It will be made up of the current Bundeswehr – expected to be trimmed substantially from its present strength of 490,000 men – and the East German National People's Army (NVA).

Contrary to earlier expectations the NVA would not be disbanded by the present East German Government, but would be reduced from its present strength of about 135,000. Troops would be subsumed into the Bundeswehr after political unification, but they would not be integrated into Nato.

The official suggested that the future German army should serve in multinational brigades, integrated with units from other Nato countries, as a way of reducing Soviet fears about German firepower.

German troops could serve, alongside counterparts from other armies, in countries such as Britain and France.

Gorbachev seeks to keep Pact together

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev will today attempt to persuade the leaders of the tottering Warsaw Pact to keep their alliance in being, at least until pan-European structures can be created to contain the German re-unification process.

The crucial summit meeting of the new leaders of eastern Europe will have to consider the entire disarmament process and the consequences for them of German reunification.

Last night, leaders of the three most obvious potential deserters from the pact – East Germany, Hungary and Czechoslovakia – met to seek common ground in advance of the full-scale talks today, underlining the division which already exists. Poland, Romania and Bulgaria have shown much more sympathy for the Soviet strategy.

Mr Gorbachev's most urgent need is to get a common line from his allies towards the German reunification process, in order to halt the movement of a united Germany into the rival Nato alliance.

The Soviet position is that the Warsaw Pact can and will transform itself from a "military-political" to a "political-military" organisation, with a common commitment to the pan-European peace and disarmament process.

"Of course, we expect a response from Nato, where unfortunately certain circles continue in their attempts to strengthen their bloc's existing military structures," Pravda, the Communist Party newspaper, said in a substantial commentary yesterday.

As for a united Germany being a full member of Nato, this would "cause imbalance on th continent," Pravda said.

In this the Soviet leader has clear allies in Bulgaria and Romania, and indeed support from Mr Tadeusz Mazowiecki of Poland, who has also expressed his country's need for a counter-balance to the future power of Germany.

East European observers in Moscow believe that even the dissidents in the pact, while ultimately committed to leaving it, would not do so until all Soviet troops have withdrawn from their territories.

The pact was formed 35 years ago, and its forces have always been dominated by the huge Red Army.

Mr James Baker, the US Secretary of State, said yesterday a Soviet proposal on the military future of a united Germany was "vague" and stressed that Nato should remain Europe's "guarantor of peace", writes Hilary Barnes in Copenhagen.

Mr Baker said he had obtained "a little more insight" into Soviet proposals at the Washington summit for some agreement between the two alliances, Nato and the Warsaw Pact, as a means to resolving the German problem.

France to ban tobacco advertising

FRANCE is to ban all advertisements for tobacco and most advertisements for alcoholic drink, starting from January 1 1993, writes Ian Davidson in Paris. Before then the Government will require a phased cut in the volume of tobacco advertising, which in 1991 will have to be one-third lower than the average in 1974-75. The following year it will have to be two-thirds lower.

The draft law adopted by the Council of Ministers yesterday follows completion of a public health report showing that tobacco and alcohol together account for some 100,000 deaths each year in France.

The new law will also ban concealed tobacco advertising, as in publicity for clothes, lighters or other products carrying the name and logo of cigarette brands, and will forbid indirect tobacco advertising through sponsorship of sporting or cultural events.

The Government will increase tobacco taxes from next January so as to raise the price of cigarettes by 15 per cent.

Stainless steel price rise queried

The European Commission has written to large European producers of stainless steel seeking an explanation for the similarity in timing and extent of their latest price rise, writes Lucy Kellaway in Brussels.

The response may be used as evidence in the Commission's investigation into a possible cartel among producers of stainless, which has been running for two years.

Semiconductor project widened

Japanese and US companies which show sufficient commitment to Europe could participate in the Jessi semiconductor industry collaboration project, Mr Raimondo Paletto, Jessi's president, said yesterday, writes Michael Skapinker in Geneva.

His statement, made at a European semiconductor conference organised by the consultants Dataquest, marks a substantial change in direction for Jessi, the $4bn Joint European Submicron Silicon Initiative backed by the European Community, European governments and high-technology companies.

Former minister faces trial

A Greek special court decided to go ahead with the trial of a former socialist minister on corruption charges, a bad omen for former Prime Minister Andreas Papandreou, who also faces criminal charges, Reuter reports from Athens.

The 13-judge panel decided unanimously yesterday to proceed with the trial of Mr Nikos Athanasopoulos, former deputy economy minister. He is accused of fraud and forgery in a grain sale to the European Community, which fined Greece $2.5m in 1987 for passing off Yugoslav corn as Greek to avoid paying EC duties.

Switzerland seeks IMF membership

By Peter Riddell, US Editor, in Washington

SWITZERLAND has formally applied for membership of the International Monetary Fund after many years of close informal ties.

The legal procedures both of the fund and of Switzerland itself could take several months but it could become a full member by the end of this year. Qualifying for membership of the fund is a precondition for joining the World Bank and its affiliates, with which Switzerland has long been associated informally.

Switzerland would be the last remaining western industrialised country to join, though applications from central European countries Czechoslovakia and Bulgaria are currently being considered.

Mr Michel Camdessus, the IMF managing director, visited Berne earlier this year to discuss possible membership and the Swiss decision will be welcomed by other industrial countries.

The Swiss have been closely linked with the fund, being a member of the Group of 10 industrial countries which provide the IMF with loans, if needed, to be used in credits for nations with balance of payments problems.

The IMF staff will now prepare a report on Switzerland, covering the amount of its quota or subscription, how it will be paid and other conditions of membership. After this has been approved by IMF governors, Switzerland would have to pass legislation to sign the fund's articles of agreement and to fulfill the obligations of membership.

Commissioners divided

By David Buchan in Brussels

THE first political shots were fired yesterday in the European Commission's drive to give some legislative content by mid-year to the European Social Charter, as the 17 Commissioners divided on the right legal base for a plan to regulate part-time work.

At issue was a measure designed to get employers to give their part-time workers the same proportionate perks, pension cover, holiday rights as those they employ full-time.

The UK government regards this as unwarranted interference with workers' choice.

Yesterday Sir Leon Brittan, the former British Conservative Party minister, Mr Martin Bangemann, the German internal market commissioner and a few others, asked whether the Commission has sufficient justification to propose that the directive on part-time work should pass on a majority vote, not unanimity, of EC governments.

Efta split over talks with EC

By Robert Taylor in Stockholm

THE European Free Trade Association (Efta) is seriously divided over its strategy for imminent talks with the European Commission on creation of a European Economic Space.

Efta heads of government meet next week in the Swedish city of Gothenburg to celebrate the organisation's 30th anniversary, but members are still far from establishing an agreed negotiating position towards the EC when formal talks begin on June 20.

The organisation's High Level Steering Group, which is co-ordinating Efta's EES strategy, is due to meet twice next week to resolve the differences which threaten to cloud the organisation's birthday party, which will be attended by Mr Jacques Delors, the EC President.

Strenuous behind-the-scenes efforts can be expected over the next few days to restore at least a facade of unity in Efta, but there is a serious danger that the six member states will find it impossible to agree on a firm negotiating position acceptable to the EC.

The division stems from Switzerland's determination to present the EC with the demand that numerous exceptions be made to the common rules and laws covering the proposed EES.

The Swiss delegation in Brussels has over the last two weeks secretly briefed selected figures in the Belgian capital to explain their proposal, which is seen as a wrecking tactic by some of their Nordic colleagues.

Truck sales suffer first fall in five years

By John Griffiths

TRUCK sales in the 12 main markets of western Europe fell by 1 per cent in the first quarter of this year, ending five years of uninterrupted growth, according to statistics from Automotive Industry Data.

The decline is likely to accelerate during the year, the vehicle markets monitoring group said yesterday.

But it said fears of a deep recession were probably misplaced and that "a soft landing" was possible in which total sales for the year could be only 6 per cent down on the record set in 1989.

Last year 324,500 trucks over 3.5 tonnes were sold, a 2.7 per cent increase over the previous record, set in 1979.

Pessimism about the prospects for the market overall has been inspired by sharp downturns in the UK – where sales fell 25 per cent in the first quarter – and in Sweden, down 15.6 per cent.

However, AID forecast that the downward trend in seven countries in the first quarter would be largely offset by continuing growth in the West German market as unification with East Germany progressed. West Germany sales were up 22.7 per cent on a year-on-year basis in the first quarter.

West European Truck Sales* 1st quarter

country	1990	1989	%change
Austria	1,341	1,273	5.3
Belgium	3,477	3,229	7.7
Denmark	932	981	−5.0
Finland	1,120	1,198	−6.5
France	15,437	14,284	8.1
Germany	19,308	15,737	22.7
Italy	8,200	8,220	−0.2
Netherlands	3,661	3,905	−6.2
Norway	1,008	788	27.9
Spain	6,100	6,730	−9.4
Sweden	1,530	1,813	−15.6
UK	14,281	19,034	−25.0
Total	76,395	77,192	−1.0

*Over 3.5 tonnes gross weight, provisional estimates. Source: AID/industry estimates

Mitterrand pricks French conscience over low-paid

The Smic device for indexing the minimum wage is at the heart of the debate, writes William Dawkins

PRESIDENT François Mitterrand is only too aware of the extent to which France's economic success has been built on the backs of the low-paid.

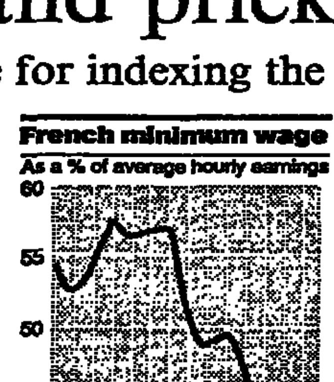
His government's skill in restraining wage growth while more or less keeping the workforce happy has won praise from economists. But it is an uncomfortable virtue for a good Socialist – and it shows in Mr Mitterrand's declining popularity in the polls.

In an effort to narrow the widening gap between rich and poor in France, Mr Mitterrand recently took the unusual step of asking the main French employers' organisation, the CNPF, to do something for the low-paid.

The employers are in an arm-lock. If the CNPF and its 164 professional branches fail to come up with ideas in the next month or so, the Government will go ahead anyway and impose from July 1 an increase in the national minimum wage.

French minimum wage

As a % of average hourly earnings



Source: French Labour Ministry

Known as the Smic (Salaire Minimum Interprofessionel de Croissance), this device for indexing the salaries of the lowest paid is today at the centre of the debate on French economic management.

The Smic has been routinely increased by central flat twice a year since its invention in 1970, the difference this time being that the Government looks set to give it a more generous extra push than usual, whatever the employers say.

Keen to avoid conflict, the CNPF's leaders agree on the need to share out more of the fruits of success, while at the same time gently reminding the Government of the scope for reducing employers' social security contributions as a way of lifting low salaries.

The decision will directly affect the 1.6m people earning the Smic, many of them women in small businesses. It will influence future Smic rises and have a knock-on effect on wages all the way up the scale, incidentally threatening to distort the Government's attempt to narrow the gap.

The heart of the problem is that the Government has used the Smic over the past five years for precisely the opposite social policy for which it was designed. Until 1985, the Smic had helped close the gap between the low-paid and the rest. But since then, it has been allowed to erode the relative value of the minimum wage.

This trend is much in line with the minimum wages of France's main partners in the Organisation for Economic Co-operation and Development, especially Britain and the US. But it also reflects the declining influence of the French Communist Party, the disarray of trade unions, and the Government's success in encouraging increasingly decentralised national wage talks.

At its current monthly rate of FFr5,156 (£543), the Smic stands at just over 45 per cent less than the average wage, a slightly wider gap than the 43 per cent recorded by the French Labour Ministry in 1985.

Ten years ago, the gap was just over 55 per cent.

Legally, the Smic must be increased by the difference between the inflation rate and the purchasing power of average salaries. The Government can also *top it up* – and by how much is what the detail of the current debate is about. Mr Mr Jean-Pierre Soisson, the Labour Minister, is pushing for an increase of more than 2 per cent, well over the 1.5 per cent minimum dictated by the formula, and a much larger top-up than doled out in recent years.

A rise of this order appears to have the support of an initially cautious Mr Pierre Bérégovoy, the Finance Minister who has masterminded France's recent economic success. The cost of this is likely to be marginal, predict economic observers.

A generous rise in the Smic could well stifle the creation of a few thousand low-paid jobs, which the Government could offset by spending more on job incentives, so possibly slowing down its attempts to cut the budget deficit. In a small way, it is the classic choice between redistributing wealth and keeping up good economic husbandry. But this balance might become a great deal more sensitive if the Smic fails to deliver the message to France's uneasily patient workers.

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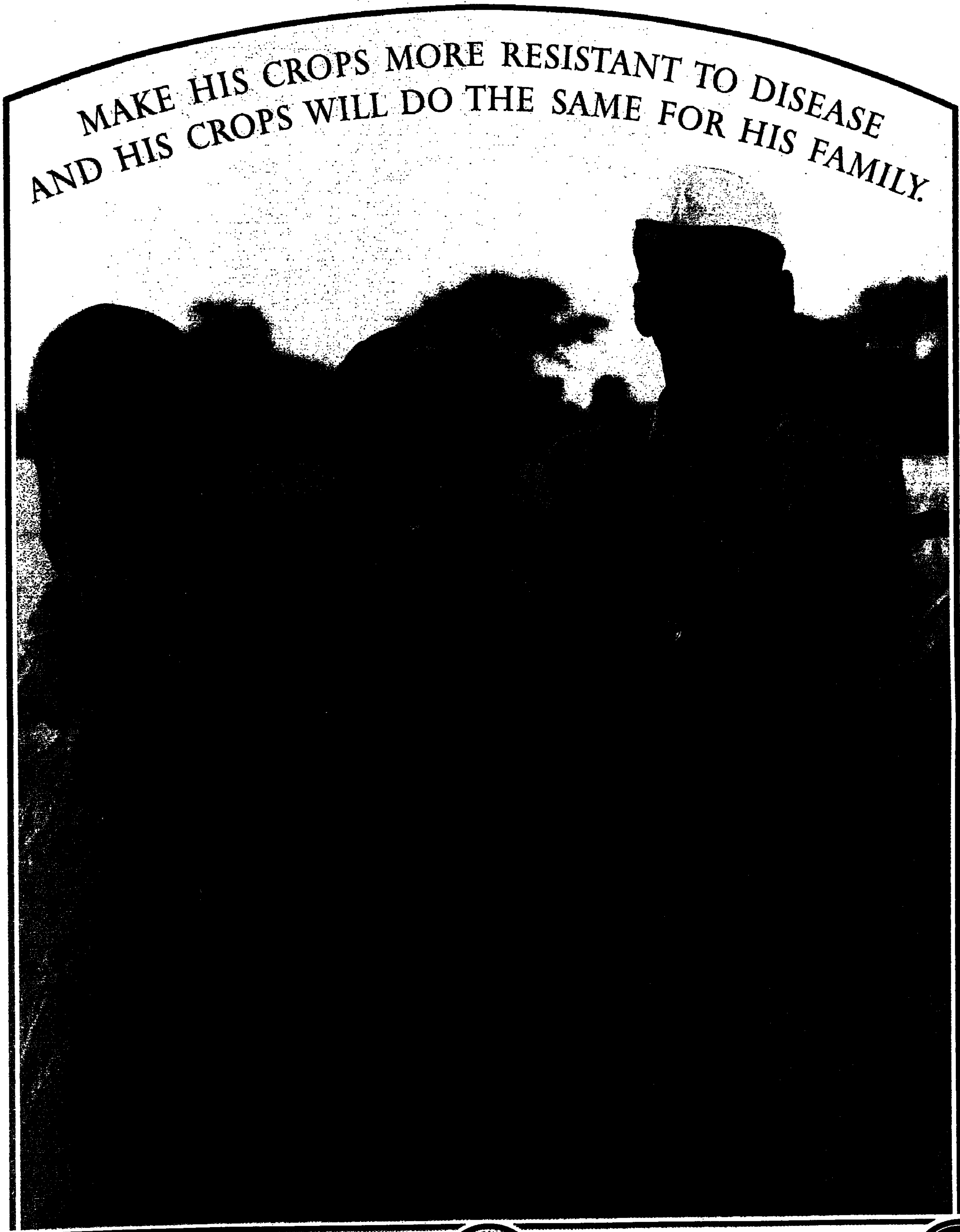

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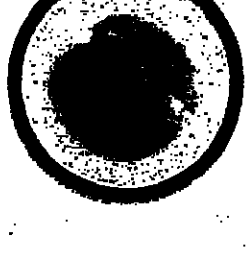

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EUROPEAN NEWS

Europe looks to its own backyard

Francis Ghiles reviews EC trade with east and south Mediterranean

THE countries on the eastern and southern shore of the Mediterranean conjure up stereotyped images in the European mind – that of the terrorist, the illegal immigrant or the exotic holiday.

More recently, the growing manifestations of Islamic fundamentalism have sent an unwelcome frisson through western European countries such as the UK and France. Since last autumn the attention commanded by eastern Europe has relegated even further what interest there might be in the countries in Europe's backyard.

Yet what happens in these countries will weigh heavily on the European Community's security, and EC officials are working on proposals to improve relations.

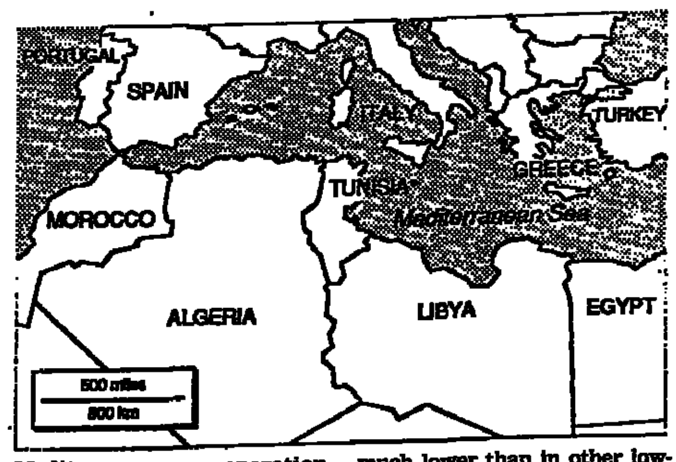
Their population will more than double to 400m over the 25 years while that of the EC will not change significantly.

As living standards decline and unemployment rises, the numbers of those seeking to cross the Mediterranean, legally or not, will continue to rise, adding to the problems of immigration in the EC.

In trade terms, these countries represent the European Community's third largest customer and fourth largest supplier. The trade surplus in favour of the EC was Ecu7bn ($8.5bn) in 1988, a figure comparable to that registered by the EC in its trade with the countries of the European Free Trade Association.

Algeria and Egypt provide one fifth of the energy imported by the EC. The gas pipeline which carries Algerian gas to Italy has been successfully operating for 10 years and it was decided, last year, to increase its capacity by 50 per cent. EC imports could increase further if the second projected gas pipeline to Spain is ever built.

Yet, as the Commission points out in a document on its Mediterranean co-operation policy, the net flow of government loans from the EC between 1978 and 1989 represented 3 per cent of these countries' total capital formation. If bilateral aid and loans from individual member states are included, the figure rises to 20 per cent. This compares with 31 per cent from the US – although most of that goes to Israel and Egypt – and 28 per cent from Opec countries.



DESPITE the free access to EC markets enjoyed by most goods manufactured in the Mediterranean countries, there has been no EC industrial investment, apart from in the textile sector. The report cites four factors which have held European companies back:

- The economic policies pursued by these countries have been "inadequate." This is a polite way of saying that they have been dominated by powerful state bureaucracies and vested interests which, until recently, have offered little in the way of encouragement, let alone legal guarantees to private investors. Whereas Spain receives, on average, $5bn worth of private foreign investment annually, Turkey nets only $500m and the three central Maghreb states $100m.
- Labour productivity is much lower than in other low-cost regions, such as south-east Asia
- National markets are often small, purchasing power modest and trade between the Mediterranean countries insignificant. For instance, trade between Algeria, Morocco and Tunisia accounts for roughly 1.5 per cent of these countries' trade.
- As a result, and with the partial exception of textiles and clothing, most of these countries do not have a specialised workforce.

The authors of the report are, however, encouraged by the policies of economic reform enacted since the mid-1980s. "If systematically pursued, they might lead to a substantial increase in private investment."

Another essential aspect of relations between the two groups of countries concerns immigration. All new immigration from the Maghreb was stopped in 1975, thus depriving north African states of a vital safety valve. Since then dependents have been allowed in and illegal immigration has, inevitably, continued.

But north African countries, faced with a fast rising population and declining living standards, have few new jobs to offer their young, who are ideal recruits for the ever growing Islamic fundamentalist groups.

Mr Abel Matutes, the EC commissioner responsible for relations with developing countries, has the full backing of France, Italy, Spain and Portugal as he seeks to promote a policy of joint ventures and private enterprise and more technical help.

BUDGET funds for developing countries outside the African, Caribbean and Pacific area will also be increased by stages from Ecu600m in 1990 to Ecu1bn in 1992, a figure equal to funds available to eastern Europe. Of this total, about Ecu440m are expected to be earmarked for Mediterranean countries.

Some officials in Brussels concede the new offer is little short of "farcical". It simply underlines that the EC is bereft of a long-term strategy towards a region which lies on its southern doorstep.

Such figures pale even further when compared with the burden of external debt and the net outflow of hard currency which these countries have experienced in recent years. The money will be of little help for governments trying to find jobs for ever-growing numbers of new entrants to the labour market. They will, in short, not encourage north Africans and Turks to stay at home.

Meanwhile, everyone is aware that the Mediterranean cannot be fenced off. As one official in Brussels sadly mused: "What would Europe have done in the 19th and 20th centuries if many of its children had not been able to emigrate to North America, Australia and the colonies?"

One senior Commission official put it more bluntly. Only a major political upset, he argued, one which would bring the Islamic fundamentalists to the fore, would concentrate the EC mind and might untie its purse.

Government forced to defend Guardia

By Peter Bruce in Madrid

NEARLY 15 years after the death of the Spanish dictator, General Francisco Franco, Madrid's socialist Government is being forced to come to the defence of one of his most unloved instruments of power – the Guardia Civil.

Manos arriba y DNI en la boca (hands up and ID card in the mouth) used to be a familiar cry when the guardia raided a bar looking for malcontents during the dictatorship, but in a modernising Spain someone just had to try and draw the 66,000-strong Guardia into the democratic process by forming trade unions within its ranks. But it has proven to be a very dangerous thing to do.

Corporal Manuel Rosa, the son of a Guardia and a member of the proud corps since 1971, has been fighting to form a trade union in the Guardia Civil for four years and has been frequently jailed for his trouble. At one point, the authorities tried to force him to take psychiatric tests.

Corporal Rosa is, however, just the tip of a malevolent iceberg in the Guardia. Spanish newspapers frequently publish pictures of hooded Guardia meeting to call for unionisation. The socialist Government is embarrassed and the Interior Minister, Mr Jose Corcuera, himself a tough trade unionist, has been forced to fight off his erstwhile comrades.

Spain's national police force is already thoroughly unionised, and Mr Corcuera is under constant attack by two civil police unions for failing, they claim, to meet promises made a year ago on working practises. Smaller police unions are planning protests in Madrid today. Spain's two main trade union leaders, Mr Nicolas Redondo of the socialist UGT and Mr Antonio Guiterrez of the communist-led Comisiones Obreras, recently paid a highly publicised "support" visit to Corpral Rosa at the Alcala de henares prison near Madrid, promising afterwards to help in the fight for Guardia unionisation.

But the Guardia is a different matter. Styled along the line of the French Gendarme, it is a military body under Spanish law and the Guardia that man Spanish border posts, its roads and its coast are, essentially, soldiers. Although much modernised and now headed by a civilian, the Guardia Civil remains the key to the Government's fight against terrorism in the Basque Country and is its most effective force in the fight against drug trafficking.

The Government now appears to be considering a different tack. Prime Minister Felipe Gonzalez flatly refused earlier this week to contemplate the formation of trade unions in the Guardia Civil. The corps, he insisted, "feels that one of the elements of its security is its military character." In order to get around the Guardia leadership's instinctive animosity towards unionisation, the Government is now considering legislation that would force the expulsion from the corps of anyone who tried to form a trade union in it.

Mr Gonzalez: refuses to consider union for Guardia

That would at least avoid the uncomfortable practice of a socialist administration actually sending people to jail for wanting to be trade unionists.

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UK NEWS

Clothing industry warned of tough times

By Alice Rawsthorn

THE British clothing industry must prepare itself for a prolonged period of sluggish growth and fierce international competition in the 1990s according to a new study by the TMS Partnership, a research consultancy.

The TMS study suggests that the industry's present problems are not simply a short-term response to the economic slowdown, but are a reflection of longer-term changes in the structure of the clothing market.

One problem for the industry is its lack of competitiveness in the international marketplace.

The Asian and North African manufacturers will continue to win market share away from British companies at the lower end of the market. The West Germans, French and Italians will continue to dominate the upper end.

"The British Clothing Market Overview", TMS Partnership, 182 Upper Richmond Road, London SW15 2SH, £300.

Former Nato chief calls on EC to assume defence role

By David White, Defence Correspondent

LORD CARRINGTON, a former Nato secretary-general, yesterday came out in favour of a defence role for the European Community.

He told the Commons Defence Committee, which is inquiring into the implications of changes in eastern Europe, that the EC could not move forward without discussing security. The Community "must be involved in the future of our defence," he said.

However, the US should also be involved in the early stages of consultation, he said, suggesting a treaty between the EC and non-EC Nato members. But he emphasised that such a change could only take place in the medium to long term.

It would be "very dangerous" in the eyes of US public opinion and the Congress to try to supersede the present alliance. "You've got to make the Americans feel that it's still Nato," he said.

Lord Carrington, a former Conservative Defence Secretary and Foreign Secretary, said he opposed admitting new members to the Community

Lord Carrington

since it was one of the "islands of stability" in Europe.

Mr Denis Healey, Labour Defence Secretary in the late 1960s, argued that, with Ireland out of Nato and France maintaining an independent stance in the alliance, the EC could not play a significant defence role.

He placed greater emphasis on the evolution of the 35-nation Conference on Security and Co-operation in Europe.

The CSCE would "police the whole of Europe against the possibility of armed conflicts arising, especially between some of the new democratic states," Mr Healey said.

Nato had "no future" as a bloc to deal with a military threat from another bloc, but could serve to represent Western views on how to organise a new security structure.

He argued that the reduced threat from the East was an opportunity for a "massive rethink" of British defence spending.

The two men disagreed on the wisdom of Nato deploying a nuclear Tactical Air-to-Surface Missile (TASM) in place of European-based ground-launched weapons.

Lord Carrington recognised that it might be difficult to persuade more than "a couple of countries" to take the weapons, but said Nato "would have to live with it." Mr Healey said deployment would be "a mistake," and it would be "crazy" for the UK to accept the weapons on its own.

Iveco Ford ends strike with 11.5% pay offer

By John Gapper, Labour Editor

A seven-week strike at Iveco Ford, the UK truck maker, ended yesterday when 1,100 workers voted to accept a two-year pay offer worth at least 11.5 per cent immediately, and probably a further 9 per cent from November.

The deal, which is the highest basic pay settlement in the motor industry this year, was reached after workers agreed to new working practices, including a new team-leader grade and training in extra skills for craft workers.

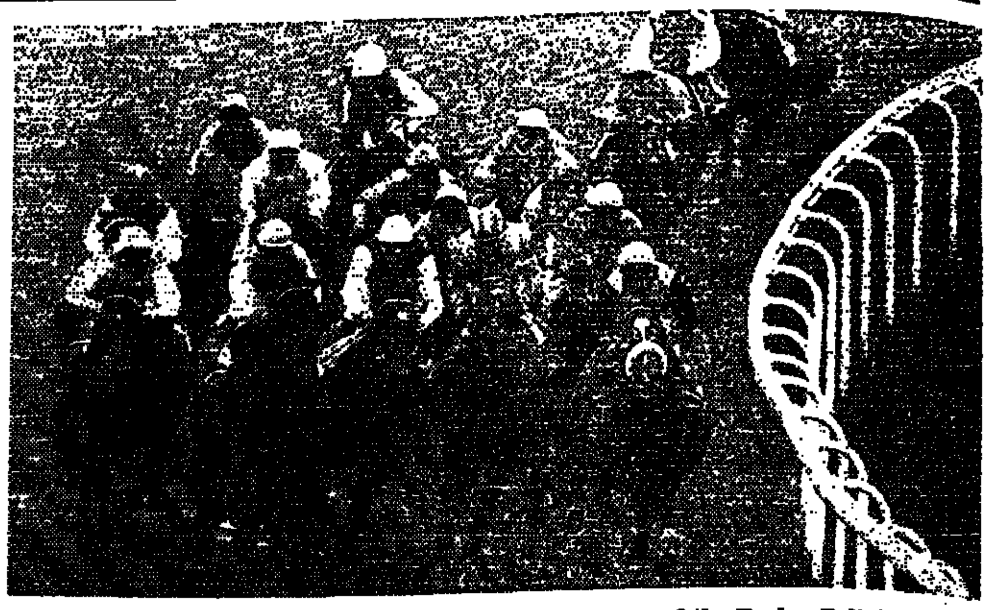
The company – a jointly owned subsidiary of Ford of the US and Iveco of Italy – has added two extra skilled grades on top of its existing five-grade structure which will allow about 80 skilled workers to gain pay increases of about 27 per cent within a year.

The deal, one of the highest blue-collar settlements this year, comprises 9.25 per cent plus a 2.25 per cent flexibility payment. A further 9 per cent is due to be paid in November this year.

The settlement date was last November, but the dispute over new working practices was so protracted that a deal was only agreed yesterday at the company's plant in Langley, west of London.

The company said it won agreement to working arrangements helping to make it competitive with other plants of Iveco, a subsidiary of Fiat.

Mr Tony Woodley, of the TGWU general workers union, said the deal was "disappointing" because the flexibility payments for employees to work under hourly-paid team leaders were small.



More than £40m was yesterday gambled on the outcome of the Derby, Britain's richest flat race held at Epsom, south of London. Quest for Fame, (pictured above, second from the left) won the race ridden by Pat Eddery in front of a crowd of half a million people.

Brussels to hear pharmaceutical complaints

ByPeter Marsh

OFFICIALS from the European Commission are to hear complaints from UK pharmaceutical traders that they are discriminated against by Europe's big medicines companies.

The UK Association of Parallel Importers (API) has been invited to Brussels to give evidence to civil servants preparing for the introduction of the single European Community market after 1992.

Mr John Barker, chairman of the association, said yesterday that large drug companies often used unfair practices to reduce the volume of drug imports into Britain.

Mr Barker, who will talk today to officials at the commission's single-market directorate, said the practices of the large companies were in many cases anti-competitive.

The discussions in Brussels will form part of the commission's efforts to devise new regulations for western Europe's £25bn-a-year pharmaceutical industry after 1992.

Parallel importing of drugs applies to specific formulations made by a single manufacturer in a number of European countries. The price of these products often varies greatly across the community, due to different pricing regimes in individual nations.

Imports of this kind require specific product licences from individual countries' drug-licensing bodies. Roughly 250 licences are in force in Britain for medicines imports.

Britain, where drug prices are relatively high, has seen parallel imports rise significantly in recent years. They account for an estimated 7 per cent of the £1.8bn a year spent by the National Health Service on drugs prescribed by general practitioners.

After 1992, the European Commission hopes to set up a pan-European registration system for medicines that would increase drug trade.

THE GUINNESS TRIAL

Saunders denies receiving warning on takeover bid

by Raymond Hughes

MR ERNEST SAUNDERS yesterday firmly denied that Guinness's solicitors ever warned the company that an agreement it made in its takeover bid for Distillers might be a breach of criminal law.

The former Guinness chairman and chief executive was speaking about an agreement under which Guinness, which had come in as a "white knight" to save Distillers from an unwelcome bid by Argyll, would have its bid costs paid by Distillers.

He said Mr Anthony Salz, of City solicitors Freshfields, had not advised a Guinness board meeting on January 19, 1986, that the costs agreement might be illegal under the Companies Act.

Mr Saunders was giving evidence for the second day in the sixteen-week trial in which he, Mr Gerald Ronson, chairman of the Heron group, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, the millionaire financier, deny charges arising from an allegedly unlawful share support operation mounted by Guinness during the battle for Distillers.

Mr Justice Henry told Mr Saunders that Mr Salz had given evidence that he had mentioned section 151 of the 1985 Companies Act to Mr Saunders.

"I'm afraid that is not right," Mr Saunders said.

Section 151 prohibits a company giving financial assistance for the purchase of its own shares, save in certain limited circumstances.

Mr Saunders said that late 1985, when Guinness had been seriously considering bidding for Distillers, had been an era of "megabid mania".

Guinness's advisers – Morgan Grenfell, its merchant bank, Cazenove, its stockbrokers, and Bain & Co, its management consultants – had been "pushy and bullish" about a bid for Distillers, Mr Saunders said.

Earlier Mr Ferguson had referred to a suggestion that acquisitions by Guinness, culminating in Distillers, had been "some form of megalomania" on Mr Saunders' part : "an ego trip for Ernest Saunders."

That, Mr Saunders said, was "just nonsense."

There had been straightforward reasons for the Distillers acquisition and that of Bells which had preceded it in 1985.

Guinness had had only one brand. Its retail business was a useful, but limited, source of secondary profit in the UK, but it was stuck with a market capitalisation of about £300m.

This was much less than the UK drinks majors like Allied Lyons and Bass – quite apart from those in Japan, the US and Australia.

Guinness fell between the regional brewers and the "big boys" and it had been advised by Morgan Grenfell and Cazenove to make a major acquisition and become a world player, or risk being taken over.

Mr Saunders said that Distillers had long been a possible target for Guinness.

He had discussed a possible bid with Mr Roux and Lord Iveagh, then Guinness chairman, in September/October, 1985.

Mr Roux, like Mr Saunders himself, had not been anxious to get into another unpleasant, acrimonious bid so soon after the Bells takeover, and had agreed to "watch and wait."

Lord Iveagh's reaction, said Mr Saunders, had been "remarkable."

His attitude had been that anything that would restore the Guinness family reputation and put the Guinness company on the world map would have his complete support.

Mr Tom Ward, a US lawyer who had by then become a Guinness director, "always a great enthusiast for any deal", had been "extremely bullish" about a Distillers bid, Mr Saunders said.

Mr Ward had established himself as probably the most powerful Guinness non-executive director.

Mr Ward had also established a working relationship with Mr Roux that was almost "an unspoken partnership", Mr Saunders said.

They had been the two key Guinness people involved in legal and financial matters.

Mr Saunders said he utterly rejected the suggestion that Mr Ward's appointment to the Guinness board had been an example of Mr Saunders bringing in his "cronies or pals".

He said he had introduced Mr Ward to Guinness because the company had needed an American lawyer and he had seen Mr Ward's abilities when they had both worked for Nestle.

It had been Mr Ward who had suggested the costs agreement with Distillers, Mr Saunders said.

Mr Ward's one caveat to his otherwise unbridled enthusiasm for a Distillers bid, had been that the downside for the Guinness shareholders was the real possibility of a bid being referred to the Monopolies and Mergers Commission, which could cost Guinness up to a year's profits.

Another potential stumbling block had been the question of the chairman of the new, merged company, it being felt that neither Lord Iveagh nor Mr David Connell, chairman of Distillers, would be credible as chairman of a £3bn company.

It had been decided that Sir Thomas Risk, governor of the Bank of Scotland, should be the chairman.

Had Mr Saunders put himself forward as chairman ? asked Mr Ferguson.

Mr Saunders said he had not.

The trial continues today.

UK NEWS

Man held in Cyprus over £292m City theft case

By Jim Bodgener and Richard Donkin

TURKISH-CYPRIOT police have arrested a man they believe was attempting to negotiate some of the £292m worth of Treasury Bills and Certificates of Deposit stolen in the City of London in early May.

The man, named as Mr Eray Bullici, was detained by police in Northern Cyprus last Saturday. He was found to be in possession of 86 of the documents stolen on May 2, which he had placed in a safe-deposit box. The documents were worth £80.5m.

Mr Bullici was arrested after a tip-off by City of London Police. He was released on the instruction that he was not to leave the island and yesterday he was interviewed by British police. Two British tourists reportedly handed over the securities to Mr Bullici, who then deposited them with the Cyprus Credit Bank.

The Bank of England injected about £250 million of additional liquidity into London's money markets on the same day as the theft of the securities from a City messenger from Sheppards money brokers.

House of Lords

Labour demands agreement on changes in Europe

By Alison Smith

AN ALL-PARTY agreement on constitutional change in the European Community, was called for yesterday by Lord Cledwyn of Penrhos, the Labour leader in the House of Lords, as he warned that vigilance was needed to stop the "democratic deficit" increasing.

He said the Community had gained powers from member parliaments, but that this transfer of powers has not been accompanied by greater democratic accountability and scrutiny.

"We know from experience in this country that undemocratic agencies can accumulate powers unobtrusively, like a thief in the night. Autocracy lives just around the corner from every one of us, and it needs to be watched all the time."

Opening the debate on European union, Lord Jenkins of Hillhead, the Liberal Democrat leader in the Lords and a former head of the European Commission, said that to stop the "democratic deficit" growing unacceptably, the United Kingdom must give up some of its "apparently deep-seated anti-European Parliament prejudice," which had deeply disappointed other EC countries.

"They had thought that with our great parliamentary tradition we would have a very special contribution to make. They find that we are mostly concerned with finding out what it's doing and telling it to stop," he said.

Making his first speech in the House, Lord Richard, a former EC commissioner, warned that the UK could find itself standing outside discussions about greater democratic accountability in the EC.

Lord Brabazon of Tara, the Foreign Office minister, insisted that the British were not isolated on the question of institutional changes.

He said there was support for many of the UK's proposals, such as improving the financial accountability of the European Commission to the European Parliament, though there was scope for improving foreign policy co-ordination.

Tension between City and industry worries CBI

By Charles Leadbeater, Industrial Editor

THE Confederation of British Industry is to re-examine relations between the City and industry in the light of persistent unease among manufacturing companies that they are under too much pressure to perform well in the short term at the expense of longer-term investments.

Sir Brian Corby, the CBI's newly elected president, told 300 businessmen at the Lord Mayor's City banquet last night that he doubted whether enough had been done to improve relations after a report by a confederation task force three years ago.

Sir Brian, who is chairman of the Prudential, said tensions between managers and shareholders were natural, but they seemed to bedevil some UK manufacturing companies. "Communication between management and financial institutions has undoubtedly improved," he said. "But it is costing more and taking up an increasing amount of time on both sides. I seriously question whether enough has been done."

Sir Brian added: "Our system, whatever its merits, will only continue if we work hard to make it successful."

The 1987 report found that charges of short-termism by the City were unproved, but it called for better communication with industry.

Sir Brian's initiative has been prompted by concern that tensions between the City and manufacturing may be exacerbated with a squeeze on profit margins in manufacturing over the next six months.

Sir Brian went on to warn that the economic recovery since the recession of the early 1980s could be frustrated in the next few years unless more resources were devoted to improving the transport infrastructure.

Sir Brian: "Any visitor to France or West Germany will confirm that our apparent allergy to thinking strategically about infrastructure could place the UK at a very serious disadvantage."

Market slows to a halt for small companies

Richard Waters on the effects in London of the departure of another market maker

LONDON'S *stock market* is grinding to a halt for a growing number of small companies.

The International Stock Exchange prides itself on the large number of domestic companies traded on its markets – 2,035 at the end of March, well ahead of rivals like the Federation of Exchanges in *West Germany, with 628 at the* end of 1989.

But the sad truth for many of these companies is that, regardless of their public listing, there is virtually no market whatsoever in their shares.

The problem worsened last week when Kitcat & Aitken, which made markets in the shares of 100 mostly small companies, *pulled out of equities*.

Even this was overshadowed, though, by the departure yesterday of Stock Beech Securities, the Bristol-based market making arm owned by British & Commonwealth.

Stock Beech had quoted prices in nearly 250 shares, virtually all for small companies.

The withdrawals at the bottom end of the market have been more common than among the larger market makers, who continue to stand shoulder to shoulder slugging it out for business in the most heavily traded shares.

The losers are smaller companies, whose shares are left with no real public market, and the many individual investors who account for much of *the trading in such companies*.

It is generally agreed that at least three, and perhaps as many as six, competing market makers are needed to create a competitive market in a company's shares.

At the end of March, many companies appeared to be falling below this threshold: the shares of more than 1,000 were handled by either two or three *market makers, while 640 were* handled by four or five.

A growing number of companies are being classified as "deltas", for which there is no active market but merely an electronic notice board on which dealers can advertise for bids or offers to help them square their books.

With the loss of Stock Beech *and Kitcat, this picture has inevitably worsened*.

According to Mr Brian Winterflood, whose Winterflood Securities is the only dealer to cover a broad range of smaller company stocks, his firm is now the sole market maker in around 100 shares, as many as 30 of these because of the departure of Stock Beech.

It is not difficult to see why *London's market making system* is grinding to a halt. In part it is the same malaise that has afflicted the rest of the stock market: insufficient income from dealing to support enough firms. The way the system operates also plays a part. Dealers are required to quote firm prices on screen at which they are prepared to buy and *sell shares – effectively committing* their own capital resources to enable a market to exist in companies' shares.

For smaller companies, however, little dealing takes place. So market makers widen their spreads (the prices at which they are prepared to buy and sell) in recognition of the difficulty of laying off their positions in an illiquid market.

Making small company shares even more unattractive to securities firms is the size of the pool of commission available to brokers in these shares – according to Mr Hector Sants, of UBS Phillips & Drew, worth no more than £1m-£2m a year. The small company market will need a new breath of life to recover.

Details, Page 17

BRITAIN IN BRIEF

Japanese cars best, says survey

Japanese cars once again perform best in an annual survey of reliability undertaken by the Consumers Association magazine, Which?

The survey, which compiled data on a *total of 46,000 cars*, found Honda, Mazda, Mitsubishi, Nissan and Toyota to provide the most reliable cars, in all the age groups studied.

Some European makes were singled out as offering good reliability, among them Peugeot and Rover, but Which? said most European makers records "are not as consistently good as the Japanese."

Meanwhile, motor trade fears of a possible return to the discount "car wars" of the mid-1980s have been aroused by a further sharp fall in new car sales last month.

Statistics from the Society of Motor Manufacturers and Traders show that registrations fell by 12.7 per cent, on a year-on-year basis, for the second month in a row.

Mortgage lenders warned

Inaccurate and misleading advertising of mortgages was giving mortgage lenders a bad name, Mr Richard Ryder, Economic Secretary to the Treasury, said.

His remarks are the latest in a series of ministerial attacks on irresponsible credit advertising.

Finance Bill changes urged

The British Invisible Exports Council has called on Mr John Major, the Chancellor of the Exchequer, to make two changes in the Finance Bill on proposals relating to unit trusts.

It urged a mechanism which would allow unit trusts to pay dividends gross to foreign holders – a move that it said would enable British unit trust managers to sell income funds across the European Community.

Managers break the law

British business managers are breaking the law regularly where personal computer software is concerned, a survey has revealed.

The survey, sponsored by the UK Federation Against Software Theft, shows that 55 per cent of senior managers using a personal computer at work, have copied software illegally whether they knew they were doing wrong or not. The cost to the software industry in Britain is estimated as at least £300m in 1989.

Edinburgh bank to form

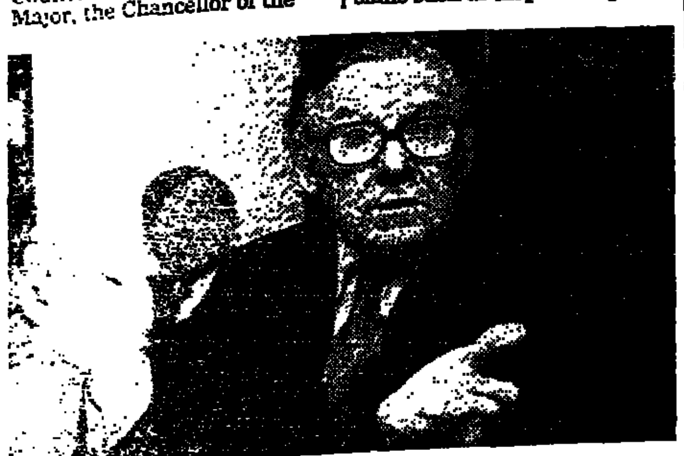
International investor support is being sought by the directors of a newly-launched mortgage corporation, which plans to take over small building societies and unite them into a new national bank to be known as the Bank of Edinburgh.

So far the main backing to emerge *has been Scottish* Amicable, the Edinburgh-based composite insurer. It has not yet formally committed itself to the venture, but building society sources expect Scottish Amicable to put up £20m.

Geography course unveiled

The Government unveiled its final proposals for a national curriculum in geography for *England and Wales, giving* more flexibility and a wider range of topics than had been planned in an interim report.

The proposals allow teachers more choice of which countries and cultures they wish to stress, as well as calling for the curriculum to focus on area studies and thematic work in physical, human and environmental geography, *and* skills such as map-reading.



LORD King, the British Airways chairman (pictured above), received a 19.5 per cent pay and performance-linked bonus increase to £515,818 last year *from* £431,609 the previous year.

The airline's annual report also shows that Sir Colin Marshall, the airline's chief executive and deputy chairman, was paid between £445,000 and £450,000 in the last financial year. This is an increase of around 12 per cent over his 1988/89 earnings.

The 1988/89 earnings were restated in the company's latest annual report to include performance related bonuses. Lord King's earnings were listed at £385,791 in the original 1988/89 accounts.

Lord King's pay increase was at the centre of a political controversy last year when the *Government* criticised large pay rises by senior company executives as setting a bad example. BA recently reported a 28.7 per cent increase in pre-tax profits to £345m for the last financial year and a 40 per cent increase in earnings per share.

MANAGEMENT: Marketing and Advertising

International networks

Eurocom sets sights on the big league

The French agency has ambitions to become a global player in marketing services. **Alice Rawsthorn** reports

On one of the walls of Alain de Pouzilhac's office at Eurocom's headquarters in Paris hangs a picture frame containing a Bäyern Munich football strip.

The strip belonged to Karl-Heinz Rummenigge, the star striker who played for West Germany against France at the world cup semi-final in Mexico four years ago. With eight minutes of the game to go, France was winning by three goals to one. De Pouzilhac, a football fanatic, was convinced that France would go through to the final. Rummenigge scored two goals in swift succession. The game went into extra time. And the West Germans won.

"I keep the strip to teach me to be humble," says de Pouzilhac. "Every time I look at it I think of Rummenigge scoring those goals and I remember that you cannot count on anything until it is completed – until the match is over, or the deal is signed."

France is out of the running for the world cup this time. But Alain de Pouzilhac, as chairman of Eurocom, one of the largest French advertising agencies, is engaged in an international competition of his own. Eurocom is one of the ambitious French agencies – along with Publicis, RSCG and Boulet Dru Dupuy Petit – now intent on becoming powerful players in the global market for marketing services.

Eurocom has dominated French advertising for decades through Havas and Bélier, its Paris-based agencies. Yet when de Pouzilhac became chairman in April last year its only interests outside France were its investment in HDM, the international network owned jointly with Dentsu of Japan and Young & Rubicam of the US, and a minority stake in WCRS, the advertising agencies then owned by Aegis, the London-based media group.

In the past year Eurocom has done a series of deals to increase its international interests. It has taken control of WCRS and is now integrating the agencies – Della Femina McNamee in the US and the Ball Partnership in Australia, as well as WCRS in the UK – with Bélier to form the EWDB network. It has also acquired ABC, a public relations consultancy in West Germany.

Eurocom is now the world's sixth largest marketing services group with net income of FFr 161m (£16.77m) on gross income of FFr 3.25bn in 1989.

But it is still a fledgling force on the international scene. There are gaps in its advertising networks. HDM needs to strengthen its presence in the US. EWDB has problems in the US and the UK. And Eurocom still needs to expand its specialist marketing interests both in France and elsewhere in Europe.

"Until now the French agencies have been too parochial. We have thought only of France," says de Pouzilhac. "It is almost too late for us to build big international networks like the Americans. But the changes in the European market before 1992 have given us a chance to catch up."

Over the next year de Pouzilhac hopes to have established Eurocom networks in public relations, direct marketing, design and sales promotion across Europe. He plans to establish mini-networks in specialist marketing to the five largest Eurocom agencies in France. He also proposes to fill the gaps in the EWDB network in the US and Europe.

Eurocom, which recently sold some of its peripheral interests, such as a chain of supermarkets, intends to spend around FFr100m (£10.5m) to create each of the four specialist marketing networks. It has arranged to borrow FFr1.5bn to finance its expansion in advertising.

De Pouzilhac is determined not to turn Eurocom into a replica of the established global marketing groups, like Saatchi & Saatchi, WPP and Omnicom. "What is the point of copying?" he says. He envisages a group which is European in flavour with the different networks based in different countries.

Advertising will be run from France. Eurocom recently moved managerial control of EWDB from London to Paris where Pierre de Plas – who joined the group a year ago from DDB:Needham, one of Omnicom's agencies, as vice chairman – will act as its chief executive. "Our international clients, companies like BSN and L'Oréal, are based in France," says de Pouzilhac. "We need to be near them."

The public relations network will be run by ABC in West Germany. De Pouzilhac hopes to base the design network in London. Eurocom has been mooted as a prospective purchaser for Wolff Olins and the Michael Peters Group, two of the largest UK design consultancies. It is also in talks with direct marketing and sales promotion companies in Spain and Italy.

De Pouzilhac's strategy is to acquire large local companies, like ABC. These companies will then expand into other countries by starting up new companies and making acquisitions. The alternative would be to acquire ready-made networks, such as Saatchi's specialist marketing consultancies. De Pouzilhac says he has "indicated an interest" in the Saatchi consultancies should they be put up for sale.

Eurocom also plans to strengthen its advertising interests. HDM, which is the world's 17th largest agency according to Advertising Age, is well established in Europe and Asia, but is weaker in the US. The three HDM partners will meet later this month to discuss the possibility of buying another agency in the US. Any acquisition would be co-ordinated by Young & Rubicam, the US partner, rather than Eurocom or Dentsu.

"HDM has been a big success, but we are not entirely happy with its performance in the US," says de Pouzilhac. "The US is the biggest single advertising market, but it represents only 10 per cent of HDM's billings. We must be bigger there."

Alain de Pouzilhac: "The changes in the European market before 1992 have given us a chance to catch up"

Eurocom's chief challenge is to turn EWDB into a fully fledged international network. First it must resolve the problems of the existing businesses. The WCRS agencies lived through months of uncertainty last year while Eurocom was locked in negotiations with Aegis. The flagship London agency suffered a series of account losses and staff departures. The US business, particularly the Boston agency, also suffered.

De Pouzilhac says WCRS's problems in London have been solved. The London agency recently won a £20m account for electricity privatisation in the UK.

Eurocom hopes to strengthen its position in the US by buying agencies, probably in New York as well as Boston. It also plans to expand in West Germany, the Netherlands, Portugal and Switzerland. It is now in negotiations in West Germany and de Pouzilhac hopes to finalise the deal within the next few weeks.

He plans to have all the networks in place by the middle of next year. If time runs out Eurocom might consider making an offer for an established network, possibly for Backer Spielvogel Bates, one of Saatchi's agencies, if the Saatchi group were to be broken up.

One potential problem for Eurocom is that Aegis, which owns 40 per cent of EWDB, may not be able to afford to contribute to the cost of expansion. Aegis, which already has heavy debts, is committed to making substantial payments to complete its recent purchase of Carat, the French media-buying business. Aegis might prefer to dilute its holding rather than to pour cash into EWDB. De Pouzilhac says he has "a solution" should that problem arise.

But the main problems facing Eurocom are the same as those confronting all the other ambitious French agencies. The established global marketing groups are now so big and so sophisticated that the cost – and complexity – of creating a new group is rising all the time. There is a very real risk that the French have left it too late to become serious forces in international marketing.

"It will be very, very tough," says de Pouzilhac. "We are late and we are French. The Americans and the British still do not take us seriously in business. But we must learn to live with this. I begin every day by looking at Rummenigge's football strip and remembering to be humble."

Long-distance travel

British Rail's customers clock up their own points

Philip Rawstorne explains why the network has introduced an incentive scheme similar to one run by airlines

British Rail's InterCity service carries nearly 10m passengers a year in the UK, from Aberdeen and Inverness in the north to Poole and Penzance in the south, but that is a mere 4 per cent of the UK's long-distance travel market.

Competition is intense. Apart from the ever-increasing number of private and company cars – motorway car traffic has doubled over the past 10 years – coach operators offer lower-cost alternative transport on most routes.

Domestic air services, once provided by a few carriers, have expanded rapidly. On some routes, up to three airlines now compete against each other.

According to InterCity's research, more than 40 per cent of its passengers seriously considered an alternative form of transport before finally travelling by rail.

Against this background – and the need to pay its own way as its government subsidies were withdrawn – InterCity has, over the past few years, adopted a vigorous marketing approach.

Its aim to be the "the most civilised way of travelling at speed" around the UK has been expressed in a new corporate identity; it has been advertised like a national brand; and its services have been increasingly targeted to the needs of its customers.

The latest result of that development is the introduction of a frequent traveller programme, of the kind developed by many international airlines, that offers incentives for continued loyalty to InterCity's most regular customers.

"We found that nearly half of our annual £800m income comes from about 5 per cent of our customers," says Robert Mason, InterCity's marketing director. "I thought we should get to know these half a million people better by talking to them directly, rather than just through our general advertising."

A frequent traveller programme appeared to be not only the best means of getting to know who these passengers were but of consulting them about their needs and preferences by direct mail.

In late 1987, InterCity appointed International Marketing Corporation, a marketing agency, to research the project and provide a comprehensive feasibility study.

Early last year, Hilton hotels, Delta Air Lines, Keith Prowse travel agency, and Time and Business magazines were invited to take part in the scheme; and at the same time, InterCity appointed SML, a database marketing agency, to develop the computer processing and handling systems.

Membership of the programme launched this year is open to any InterCity traveller on payment of a £15 fee. On joining, a membership card, magnetically-encoded and bearing a laser-engraved photograph, is issued.

The immediate benefits include vouchers for InterCity seat and sleeper reservations, a £50 discount on a Delta holiday, discounts on Hilton weekend breaks, and free magazine subscriptions.

Members are given cheque-cashing facilities at major InterCity stations and access to a theatre booking hot-line.

Points are awarded for each InterCity journey, according to the distance travelled and the type of ticket. A first class return between London and Manchester, for example, earns 64 points; a similar journey between London and Glasgow earns 84 points.

InterCity's 10,000 long-distance season ticket commuters, by contrast, are only permitted to earn points on three journeys a month.

Some 2,900 stations in 25 zones across the country, and 34 different types of ticket have been fed into the database.

The first rewards – four vouchers up-grading travellers from standard to first class – come with 350 points; 1,000 points earn free first class Saturday return tickets for two; and the rewards are progressively increased up to a free two-week holiday in the US for 10,000 points.

Mason believes the incentives will encourage loyalty in regular passengers, who still make one long-distance trip by air, car, or coach for each one by rail.

"If they are business travellers, it may also get them thinking about InterCity for their leisure travel as well," he says. "Through its rewards, the programme will also give other infrequent travellers experience of InterCity's services."

The aim is to recruit 50,000 members a year to the programme, and to build a database which will provide InterCity's management with ready access to comprehensive information about its regular passengers and their travel habits.

That, says Mason, will form the basis of further marketing initiatives, and strengthen InterCity's defences against its competitors.

TECHNOLOGY

Dave Madden reports on the potential cost savings from automating sales, service and marketing

Poised to close in on the customer

If you have ever been impressed by a highly personalised pension offer or curious that you have been pursued by subscription promotions for American Express's Gourmet magazine after using your Amex card in a good restaurant, then beware – you have seen nothing yet. Marketing, sales and customer service are on the threshold of a technological revolution.

As one of the last preserves of IT innocence, marketing, sales and service offer far greater potential for cost cutting and productivity improvement than engineering or accounting, for example, where IT penetration is already high. Early evidence shows that automating sales and marketing can increase sales by 10-30 per cent. In the UK John Maltby, head of Price Waterhouse's marketing information consultancy, says that IT in marketing is the group's fastest growing area.

Relational database techniques, multi-media presentation systems, advanced communications and optical storage are being combined to allow companies to automate the whole gamut of sales and marketing – sales, direct marketing, sales management and market research. Yet if the case for applying IT to marketing and sales is so compelling, then why has it not happened before?

"Sales and marketing are in much the same position now as accounting was in the 1960s. There is no common language," says Bob Shaw, a consultant in sales and marketing systems.

Research by information consultancy Oasis reveals a mutual ignorance, even hostility, between IT and marketing. It suggests that traditional formal development methods sit uneasily with the supposedly creative approach of marketing people. A further consequence of this mismatch is that the marketing or sales systems which are installed are typically isolated and stand alone.

Alan Dunstan, assistant general manager of marketing at Abbey National, confesses that while the building society has some of the most sophisticated accounting and branch systems, it does not have an integrated customer database, and like the rest of the financial services sector it is pumping tens of millions of pounds into building one.

Dunstan says he spent four years arguing that a customer database was a strategic requirement, and trying to convince his management services department that building such a database was possible.

Building Abbey National's relational customer database means bringing together eight different sources of data. "We were told it was just too difficult," says Dunstan.

In the event, a feasibility study by Oasis broke the deadlock. Abbey National is now at the point of choosing both the database engine and user decision support systems, and the project is due to be completed in two years' time.

The major UK retail banks are struggling with this transition because banks do not generally keep databases of customer names. Rod McFee, head of delivery channels at Barclays, sums up the predicament. "We've inherited 1960s bookkeeping architectures, based on account numbers. In systems terms customers don't exist. Now all the banks are evolving into marketing oriented organisations because our traditional core business is under tremendous competitive pressure, both from new entrants and because customers have realised that they can shop around."

Barclays and its peers still do not know how many customers – as opposed to account holders – they have, and moving to database driven banking has triggered some of the biggest IT projects in the country.

Barclays introduced its customer information system (CIS) earlier this year. The database will not begin to be available to its branches until mid 1991, but the bank was anxious to tackle any customers' sensitivities, in particular about direct mail.

McFee stresses that CIS's imperative is to recapture an element of service at branch level. The system will give Barclays staff in any branch a profile of the totality "of the bank's relationship with any customer." At the same time the system will help the bank to synthesise its customer knowledge so that it can target any database marketing and cross selling more efficiently.

"IF ALL ELSE FAILS, SHOVE YOUR P.C. IN THE DOOR"

Both McFee and Dunstan argue that their customer databases are not just about direct mail. Similarly Peter Mouncey, head of market research at the Automobile Association, says that while his customer marketing database handles a big direct mail exercise, it is now considered a major corporate asset. "It is the key resource, the key management tool servicing all the businesses."

As such it is controlled by a senior committee under the AA's deputy director general, and it furnishes a wealth of management information from monitoring advertising campaigns to analysing branch performance and planning new sites.

Currently the AA holds 9m customer records. The system sits on an ICL 3980 mainframe, and it has a conventional hierarchical structure. Mouncey says relational technology is not cost effective yet. But the AA has invested heavily in front-end PC based systems, including statistical and tabulation packages and a proprietary geographical information system, to allow users to sample data.

Ultimately these database developments are designed to support customer contacts. Other firms are using IT to support IT sales people directly with dedicated productivity tools for planning and reporting sales calls, entering orders, checking inventory and order status, and the like.

Advisa, an IBM portable PC-based system from Datasure Group, and one of a rash of creative IT sales applications, takes field sales support to its logical conclusion. It is an expert system, designed to guide sales people in the complex personal financial services arena.

"Since deregulation there are a lot of new players selling pretty technical products," says David Lewis, general manager of Datasure's Advisa group. Advisa helps them to analyse their customers' real financial position, including total debt, and to give appropriate advice across financial products.

Advisa was modelled after the "financial health check" work at Allied Dunbar which has pioneered the use of portable PCs in face-to-face meetings with clients. Allied now has 3,500 PCs in the field.

Since the system's introduction Allied Dunbar has tracked control groups of salespeople with and without the software at various levels of experience. Without exception people with the software outperform those without, while "juniors" perform four times better.

Yet significantly Allied cannot relate this field information to its corporate client database. Its mainframe database is fed by paper policy documents. Peter Preston, an Allied systems director, concedes that as a result the company loses a lot of field generated information.

Ironically the computer industry itself, belying its bad marketing reputation, is taking a lead in the area of integration. As open systems and standard chip sets come to dominate computing, products *per se* are no longer differentiators. Increasingly companies will stand or fall on how well they know their customers, and how easy they are to do business with.

Hewlett Packard is developing a "closed loop" sales and marketing system for internal use. This is an integrated web of complex database, customer information centre (CIC), communications and sales force automation applications.

Its target, says CIC manager Robert Robb, is to be able to conduct a win-loss analysis on every campaign that it runs, and track every lead or individual enquiry it receives, while its customers will talk to HP via a single telephone number.

The result of this programme in the US is that selling time has increased by 27 per cent, enquiry volumes are up by 72 per cent with only 10 per cent of leads discarded, and direct marketing costs cut by 10 per cent. The company now gets feedback on 90 per cent of sales, something that was almost non-existent before.

HP's closed loop creates a virtuous circle. Direct marketing, for example, initiates an enquiry, which is qualified as a lead and fed into the sales channels. The subsequent win-loss is reported to the customer database, which generates management information, and hones the next direct marketing effort. As Robb comments: "The system just gets smarter and smarter."

Robb Wilmott, founder of Oasis, adds: "The networked marketing-led organisation will be like a spreadsheet. New information on any sale will update the entire systems on a need-to-know basis." And that is a long way from cold calling.

Outlook gloomy in UK research stakes

Lynton McLain reports on how a lack of R&D spending is taking its toll on British innovation

The Design Council, funded by the UK Government, is publicising British successes and failures in technology at a new exhibition in London. It will seek to identify the factors that are necessary if the UK is to avoid decline in world technological markets.

Ivor Owen, director general of the Design Council, says Britain is facing a "national emergency" in its failure to capitalise on scientific and technological expertise in the UK and turn them into successful commercial products.

But even this scientific base is fading: Britain is near the bottom of a league table on R&D spending, according to a survey by the Organisation for Economic Co-operation and Development*. It already spends less per capita on R&D than any main competitor, says the survey.

In the early 1980s, the UK was the only western industrial nation with a declining share of national income devoted to R&D. UK state funding for civil R&D is set to decline further over the next two years, according to the Annual Review of Government Funded R&D. Meanwhile, spending on R&D continues to increase in Japan, Germany, Sweden and the US. "Britain's failure to see beyond the market conditions and technical limitations of the day is all too evident," the Design Council says.

Where British research has led the world, its industries have all too often failed to exploit it productively. Instead, the advantage had passed to Britain's competitors, whose speed and skill in applying new technology to make quality products has won them lucrative world markets at the expense of British manufacturing industry.

"The Japanese have mastered the development and practice of technology transfer. The key to success appears to lie in a mutual understanding between government, industry, universities and research organisations of their respective needs, and a willingness to commit resources on a scale necessary to exact good returns," the council says.

Famous British innovations are on display at the exhibition: liquid crystal displays, robot technology, magnetic resonance scanners, cathode ray tubes and the transputer, as well as the first computer, the mechanical calculator of Charles Baggage in the 1840s. The Design Council suggests this became a "great British failure" after Prime Minister Sir Robert Peel stopped funds for its development.

Not one of these British scientific breakthroughs has resulted in large-scale UK manufacture: they have all been turned into successful commercial products by other countries.

Scientists at the University of Hull, under a Government-funded programme, discovered a liquid crystal material suitable for commercial use in displays. But Japan rather than Britain adopted the technology and leads a multi-million pound world market.

Professor George Gray, the pioneer of liquid crystal display technology, says that research in British universities "is far too mission (market) orientated. Some of the best ideas develop from fundamental research and they are in danger of being starved out in a climate which certainly would not have allowed me to follow the path I did."

Already, 80 per cent of the science and engineering departments in Britain's higher education sector lack the equipment required to carry out the necessary research, according to a survey by the Advisory Board for Research Councils.

Magnetic resonance imaging for picturing the inside of the body was researched and developed at Nottingham and Aberdeen universities in the 1970s. The first machine was installed at Hammersmith Hospital, London in 1981, but Britain did not hold the lead for long. No British manufacturer was willing or able to take on the product and the Government agency, the British Technology Group, licensed the technology to companies in Japan, Germany and the US, which now dominate a world market worth £600m a year.

The exhibition illustrates how it is possible to take advantage of technological opportunities, with successful companies operating an integrated research and development strategy, leading from product conception to design and manufacture. The link between EEV, a GEC company making charge coupled devices (CCDs), and Leicester University has resulted in EEV making some of the most advanced X-ray CCDs. They will go into the Soviet JET-X space telescope in 1993.

Other successes include the Swansea University Innovation Centre set up by the university and the Welsh Development Agency. Shanning Laser Systems is one success from the venture with its surgical lasers and was formed by engineers from the West Glamorgan Institute of Higher Education with funds from the Shanning group.

Owen is critical that the significance of the failure to exploit R&D still escapes many people. "There is no strategic debate about what to do about the failure in high volume, high technology, high value-added products and many still hold the view that manufacturing is not necessary to the health of the economy."

He says the failure to develop high technology, high volume products is irreversible in Britain and is starting to affect middle and low technology products, including the car industry.

He calls for a focus on those sectors which offer the prospect of significant volume and technology, such as components for building and the automotive industry, rapid transport, furniture, textiles, agricultural machinery and medical electronics.

**OECD Science and Technology Indicators*

Gene Hackman and Tommy Lee Jones in 'The Package'

CINEMA

Time off needed in the de-tox clinic

THE PACKAGE Andrew Davis
THREE WOMEN IN LOVE Rudolph Thome
CREATOR Ivan Passer
DIAMOND SKULLS Nicholas Broomfield
NOTEBOOK ON CITIES AND CLOTHES Wim Wenders
CLEAN AND SOBER Glenn Gordon Caron

We have heard of silly seasons, but this is ridiculous. A film critic in early June – especially this June – feels like a wine-taster demoted to the plonk division. Here he must not only sample poorer wines but far, far more of them. By the end of the average three-movie day he is reeling across central London, his brain and vision clouded, clutching at passing commuters in the delusion that they are lamp-posts.

Take this week.

(Monday). Dear Diary, this morning we saw a thriller called *The Package*. This consists of large portions of Gene Hackman – and there are, believe me, large portions of Gene Hackman – running about Berlin, Washington and Moscow in pursuit of a would-be Presidential assassin (Tommy Lee Jones). A strong feeling of *déjà vu* comes over one. But my doctor assures me this is quite normal in regard to movies whose ingredients one has indeed seen several times before (*The Manchurian Candidate*, *The Parallax View*, *Betrayed . . .*)

Here are those ingredients again. The tense, grey Cold War opening (telephoto lenses on lookalike world leaders). The high-heeled heroine (Joanna Cassidy) running for her life from ambushing baddies. And holding sway at the centre, Mr Hackman himself: screwing not just his courage but his entire physiognomy to the sticking point. I admire Gene Hackman greatly in a good film. In a not-so-good film he tends to recycle his "Be a prune in anguish" Stanislavsky class.

This is serviceable, unexceptional action stuff: scripted by John Bishop and directed by Andrew (*Above The Law*) Davis as if they were determined to keep the Cold War decently refrigerated even in an age of global political warming.

Monday afternoon. *Three Women In Love* and *Creator*. My colleagues look only slightly the worse for wear as yet. But after the first film, a gentle, silly German comedy about three Mozartian lady angels who look after a Tamino-like philosopher, we break for refreshment. And I am struck by the look of film-beleaguered shock that comes over the Observer's features when I tell him that *Creator* is a three-year-old film that has already been out on video. And had bad reviews.

We settle in. Peter O'Toole, smoking a large cigar, is a mad doctor on a university campus, trying to transform his dead wife's cells into a re-living spouse. Mariel Hemingway looks on jealously, having developed a nymphet passion for Mr O'T. (What is it with this young woman? Last time around, she was hanging from the neck of Woody Allen in *Manhattan*). The long, errant whimsy is directed by Ivan Passer, a once-exuberant graduate of the Prague Spring now fast turning from bouncing Czech into blank Czech.

During the film – *buffeted* by lines like "You must have loved your wife an awful lot to grow her all these years" – *I* look back fondly on *Three Women In Love*. Rudolf Thome's tale of three comely clothes-shop assistants who persuade a young man to share their flat, and then their several beds, neatly wrong-foots charges of "sexist fantasy" by revealing that the ladies are from another planet.

Playing hide-and-seek with notions of time and space, writer-director Thome teases out his tale with allusions mythic and philosophical. (The hero's surname is Hermes; his new book abounds in apothegms like "Death is the exit from time.") The film is thinly plotted. But in a German cinema where the once bold dream-buildings of Fassbinder and Herzog have given way to the steepling kitsch of late Percy Adlon, here is a film delicate and fantastical without being fey.

(Tuesday). Dear diary, Another day. Before the Press screening of the British film *Diamond Skulls*, the Sunday Telegraph wonders aloud, "What is the worst film that Amanda Donohoe (its star) has appeared in?" Some of us hark back fondly to last year's *Tank Malling* in which the cream of British screen acting, or at any rate the non-dairy variety, stood about curdling under the *influence of a torridly implausible* thriller plot. Others nominate *The Lair Of The White Worm, in which Miss D played* a worm goddess for Ken Russell. Soon, however, *Diamond Skulls begins, and it is clear* that new standards are being set.

A car-load of *young toffs* leaves a regimental dinner in London and runs into a young woman, killing her. Thereafter they spend most of this fragmented, woodenly directed film weekending at a stately home owned by Sir Michael Hordern and wondering in what direction to push the plot.

Miss Donohoe plays the wife of hero/car-driver Gabriel Byrne, the latter acting with what the Press notes tell us a critic once called "the melancholy of Al Pacino." The melancholy seems to have spread to the normally forthright Miss D. Apart from enthusiastically allowing her breasts to be massaged in a fantasy sequence, the rose-cheeked, Amazonian-jawed British star shares the general on-screen torpor. And she surely shares off-screen our own bemusement at a film that falters from scene to scene with neither momentum nor conviction.

Ian Carmichael does an eye-blink cameo as a butler. Judy Parfitt, clutching a bottle of White Satin gin, is our tensely trilling hostess. (The White Satin is also evident, label to camera, in Byrne's house. Ah, the trials of commercial sponsorship.) And screenwriter Tim Rose Price supplies the assembled company with dialogue that seems culled from a bad translation of *Last Year In Marienbad*.

Ex-documentary director Nicholas Broomfield (*Tattooed Tears*, *Soldier Girls*) claims that the movie "is a character study and a portrait in obsession." But the two most striking things about *Diamond Skulls* are its lack of any convincing *characters* and *its* inability to convey any sense of obsession at all. Those among you wondering why Mrs Thatcher has called an *emergency summit about the* British film industry might start by sampling this movie.

2.30.p.m. The Times looks a touch peaky this afternoon, and the Independent is gazing *wistfully at the preview-theatre ceiling* as if seeking a reality beyond film criticism.

Well she might. Our *first* afternoon movie is Wim Wenders's *Notebook On Cities And Clothes*, *an 80-minutes documentary* of credence-defying tedium. Armed with video and 35mm cameras, the German director hops between Paris and Tokyo recording the *thoughts and actions of clothes-designer* Yohji Yamamoto.

The images are sometimes *blurry, sometimes well-defined*, always uninteresting. And the soundtrack switches between YY's voice and that of WW. Since both speak in an introspective, semi-audible drone, the audience struggles to stay conscious. This is a startling ordeal-by-contrast with the hyperthyroid Hollywood dialogue we usually feed on as critics. After Valleyspeak, Valiumspeak. Wenders's film is a waste of promising ideas – on fashion versus identity, on clothes as concealing or revealing the self – in an expense of sloppy improvisationalism.

In *Clean And Sober* Michael Keaton, eyes bloodshot and hair akimbo after too much cocaine and alcohol, checks into a "de-tox" clinic. By this stage of the movie week, most of us are eyeing the abusable substances on show in this film with some interest: at any rate the bottles of amber fluid.

Happily, the movie itself detoxifies our unworthier yearnings. Despite inauspicious credentials – two years old, it has been taken off the shelf now to chime with next week's National Drinkwise Day – the film is a toughly scripted, well acted agony yarn: a cocaine-age *The Lost Weekend* or "Days Of Wine And Noses." Kathy Baker excels as the still-pretty, addiction-raddled woman Keaton falls for at the clinic. Keaton himself wears with equal gusto the masks of racing yuppie and decelerating junkie. And director Glenn Gordon Caron squeezes all available drama from Todd Carroll's script. Not a great film, but in the company it keeps this week *it almost passes for one*.

Nigel Andrews

Le Corsaire

COLISEUM

Why do we *love the Kirov Ballet so much?* Why can we enjoy the ridiculous *Corsaire* so whole-heartedly? The answers to these *questions are intimately* linked. With any other company, *Le Corsaire* (which opened the Kirov's London season on Tuesday night) would be insufferable. It is far from what it purports to be – which is a 19th-century Petipa spectacular. Action has been turned upside down – the famous shipwreck which used to end the ballet now begins it, in splendid fashion – and apart from a few set pieces such as the *Jardin Animé*, the choreographic text has a *distinctly unlikely air. This matters* not one whit except for devotees of the Trades Descriptions Act. What sustains, enlivens, galvanises this improbable exercise is Kirov style, Kirov sense of history, Kirov power. *Le Corsaire* is, in effect, a guide to what these great attributes mean in the theatre.

The choreography offers a series of clichés from Petersburg ballet history: national dances, a ballabile for a legion of lovely girls, pas de deux touched with the zest of the exotic, high drama and not a little high farce, and tutus where tutus could never conceivably have been seen. No-one ever went to ballet – and certainly not in St. Petersburg – for the probable or the credible. In its first Russian incarnation, *Corsaire* was a wonderful nonsense; in this unlikely revision, it remains no less so, only on rather different terms. And these are justified since the Kirov casts understand the provenance and potential of each merry scene. Their training, their sense of artistic lineage, guide and inform every movement, and because of this the crazy apparatus of pirates and slave-girls, fountains and shipwreck, a bunch of flowers made into a Mickey Finn, become a joyous excuse for classic and character dancing of ideal distinction.

So Altynai Asylmuratova as the heroine, Medora, is kidnapped – twice – and rescued, and in moments of emotion can find a tutu for the ensuing and obligatory pas de deux. (This being a ballet set in Greece, does she rob a nearby Evzone?). Her performance on Tuesday was, as *ever*, replete with grace and beauty, and that especial warmth of feeling which gives *such lustre to dance and acting* – the role, the bravura steps, offered to us with a radiant generosity. Her companion in *misfortune* was Yelena Pankova, *so fresh* and spirited in style and brightly joyous: the moment when she discovers Medora *has been brought into a harem* and promptly whisks her away to rid her of a long dress and find her a tutu so that they *may get on with the real matter of the* moment, is characteristic of the ballet. And very right and proper, too.

The hero, Conrad, does not have much of a role – acting and dance honours seem to go elsewhere – but Yevgeny Neff commanded the Errol Flynn aspects of the part with nonchalant charm. It was Konstantin Zaklinsky who dominated the action as the slave-trader Lankedem. In a performance of wild energy and great humour, Zaklinsky bargains, and plots, and tears through the evening, jollying every least scene along with huge vitality.

Alastair Muir

Altynai Asylmuratova and Yevgeny Neff

Great stuff! Great stuff, though of a different kind, from Alexander Lunyev as the *slave*, Ali. Lunyev is a classic virtuoso who has not been seen in London before. He looked very impressive a few years ago in performances in Paris and Leningrad; now his physical gifts – lightness, buoyant speed, elegance – seem even more remarkable, albeit his role demands little more than technical prowess. But he gives Ali a richness of image and a quiet simplicity of presence that suggest a lot about a remarkably talented danseur. In leading soloist roles, let me also salute the three odalisques, Irina Chistyakova, Larissa Lezhnina, Irina Sitnikova, each of their variations a jewel.

And there is the Kirov corps de ballet, a marvel at every moment. National dances are by turns yielding, or voluptuous, or proud; a piratical crew are shown to us with the nicest bravado and wit; the garden of lovely girls who bewitch a doddering pasha, are impeccable in purity of dancing as they frame, as they have always framed, the ballerina as star. For all these reasons, because of all these artists, *Le Corsaire* is a joy. It is a mad pantomime, too, but supreme performance art turns its dross into gold,and there is no greater compliment than that.

Clement Crisp

Nabucco

BAVARIAN STATE OPERA, MUNICH

With a convincing Abigaille, *Nabucco* becomes much more than a chorus opera and a string of beautiful melodies. Julia Varady, whose expressive gifts on stage are all too rarely heard in London, does not come with the standard qualifications for the part. She has proved herself an engaging Violetta, Desdemona and *Forza* Leonora, but Abigaille is a *killer* role, calling for a powerful, house-filling voice which can also handle the *awesome string of exposed* high notes. Yet Miss Varady was, on the whole, convincing.

True, the notes did not ring out with the decibels that a Dimitrova can provide, and *some of the vocal leaps* revealed too obvious a discrepancy between her *warm, finely-spun top and a* hard-pushed chest voice. What Miss Varady lacked in vocal grandeur, however, she made up in the subtlety of her singing and in her rounded character portrayal. Her intelligent and tender inflection of word and tone, above all in the Act 2 cabaletta, offered an example to many more naturally Italianate sopranos, and the delicate thread of her delivery in the Act 3 duet with Nabucco created a more genuine feeling of the father-daughter bond than is normally credited to this scene. Dressed in a series *of silver and blood*-red strapless gowns and cutting an almost balletic profile of *severe beauty, Miss Varady* looked both regal and diabolical – one moment *greedily snatching the crown* offered to her, the next revealing the fragile wound *of insecurity behind the* war-like mask. So this was a portrayal of unusual psychological insight.

Some of the credit must go to Pet Halmen, who began his career as Ponnelle's costume designer, later turned to stage design and is now recycling some of Ponnelle's trademarks *in his adopted role of* producer. For this new production, he provided a series of *symmetrical*, single-colour stage pictures – including a collapsible Babylonian tower in Act 2 – which provided atmospheric, if not always dramatically relevant. *Throughout the* evening there was a strong sense of designer chic, *especially in the ladies'* costumes. It was an original response to the archaic Old Testament world of *Nabucco*, and because of its clarity, it was successful.

A virus forced last-minute cast changes. Matteo *Manuguerra's Nabucco was* no more than functional, but the evening revealed a *heaven-sent, natural lyric* tenor voice from the young Spaniard Vicente Ombuena *in the role of Ismaele. The* other unexpected delight was the alert, fleet and sensitive *treatment of the score by the* conductor, Pinchas Steinberg.

Andrew Clark

SALEROOM

Tale of Genji does well

Christie's completed its most *successful sale ever of* Japanese art yesterday with three sessions producing a record *£2.87m and less than 8 per cent* unsold. A pair of six leaf screens, each leaf 170 cm by 62 cm, *more than doubled its high* estimate yesterday, selling for £198,000. The 17th century screens *depict 20 scenes from* the 11th century Tale of Genji in a continuous panorama.

Three scrolls of around 1700 showing historical scenes from Japanese history made £88,000, and the *London dealer* Quaritch paid £60,500 for scrolls depicting the visit to Japan in 1854 of Commodore Perry, a visit which was to end Japan's isolation from the rest of the world.

Sotheby's had a very routine sale of 19th century European paintings which realised £409,035, but with a high 36 per cent unsold. Run-of-the-mill pictures find few buyers now that economic uncertainty has slowed down the art market. The highest price was the £15,400 paid for "Sunbathing on the dunes" by Paul Fischer, showing young lovelies on a quiet beach. "Courtship" by Frederico Andreotti, with a couple in 18th century dress flirting away, did well at *£14,300*.

The New York sales of Old Masters last week were slightly disappointing, but the London offerings next month could do well. German paintings are set to fetch the highest prices. The only known animal painting by the 16th century artist Hans Hoffmann, "The Hare in the Forest," is estimated to make *up to £3m on July 4. It was lost* for centuries but Sotheby's unearthed it in England in 1983 *and sold it for £407,000. It has* since been cleaned and restored. The painting was expensive *when first produced* – the Emperor Rudolf II paid 200 guilders for it in 1585. It was *inspired* by Durer's celebrated study of a hare.

At Christie's a diptych by Lucas Cranach I could make £2.5m on July 6. It was painted in 1509 and depicts two Electors of Saxony, John the Streadfast and his son John Frederick the Magnanimous. It is the most important work by Cranach to appear on the market for many years.

Phillips has an important Newlyn School painting in its auction next Tuesday. "The Message" was painted by Thomas Gotch in 1903 and shows an angel whispering into the ear of his daughter Phyllis, who is standing in a field rich with poppies. It is an unusual composition for a Newlyn artist and comes from *the period of "imaginative* symbolism" which followed a visit to Florence. For 40 years "The Message" has been on loan to the Northampton Museum and Art Gallery. It is easily the most interesting work by Gotch to appear on the market and it should make £150,000.

Irish painting has been all the rage recently and the auction includes a rediscovered work, "The Bridge at Grez-sur-Loing" by Roderic O'Conor which carries a top estimate of £60,000. There are also pictures by Jack Butler Yeats and Sir William Orpen.

Antony Thorncroft

ARTS GUIDE

June I-7

EXHIBITIONS

London

The Tate Gallery. The entire permanent collection has been rehung so that the visitor may now take a natural circuit through the newly restored galleries, from 16th century *British* painting through to the the most recent of modern international art. It is a curatorial triumph.

The Royal Academy. Modern Masters from the Gelman Collection – a self-explanatory exhibition of masterpieces of the 20th century from Bonnard and earlier Picasso to Picasso the old man, by way of all the great names of the School of Paris, Matisse, Modigliani and the rest. It is a true celebration not of mere art history but of the joy to be had in the possession of great art. Until July 15; sponsored by Guinness.

Paris

Carte musées et monuments sold at museums and metro stations enable visitors to avoid queues at 60 museums and monuments,including the Louvre, Musée d'Orsay and Versailles.

Galerie Schmit. French masters of the 19th and 20th century.For the 25th anniversary of his early exhibitions RobertSchmit has assembled an impressive collection of paintings. There are works by Pissarro, Degas, Delacroix, Cezanne, Gauguin, Manet, Monet, Renoir and Picasso. 396, rue Saint-Honoré, closed Sundays and lunchtime, Ends July 15 (42603636).

Galerie Odermatt-Cazeau. 19th and 20th Century Masters.A parade of excellence runs through the exhibition, which begins with the impressionists and ends with an abstract Picabia. *Monet's Charing Cross* Bridge floats in a haze of pinks and blues. The realism and heavy pathos of an early Toulouse Lautrec – Le Buveur – is in contrast to his Jane Avril, expressive of his mature period. Ends July 28 (42669258).

Musée d'art Moderne de la Ville de Paris. Kees Van Dongen. 132 works retrace the career of the painter who, as one of the *Fauves*, enjoys provoking the public with daring juxtapositions of violent colours, charcoal contours and green shadows. The Dutch-born artist goes further and shocks with erotic subjects and poses, only to subside later into portraiture of the elegant and famous. 11, Ave President Wilson, Closed Mon, late closing Wed. Ends June 17 (47236127).

Grand Palais. Pre-Columbian art in Mexico (1500BC – AD1521). Some 130 exhibits from Mexico's *archaeological museums* bear witness to the high degree of artistic development of the ancient civilisations of the Mayas and Aztecs. A deep religious sense imbues their imaginary world peopled with divinities often represented as jaguars and serpents. Closed Tue, late closing Wed. Ends July 30 (42895410).

Brussels

Hotel Communal de Schaerbeek, Place Colignon – treasures of the commune. Works by Constantin Meunier, *Jef Lambeaux* and other Brussels artists of the 19th and 20th centuries, daily except *holidays. Ends* June 11.

Isy Brachot. Portrait of the Pace gallery of New York. Calder, *Dubuffet, Picasso, Rothko and* others. Ends June 28.

Musée d'Ixelles. 71 Rue Jean Van Volsem. La Poetique des Peintres Italiens a l'Aube du XXe Siècle. Closed Monday. Ends July 15.

Musée Wellington-Waterloo. Inedits sur Waterloo commemorates the 175th anniversary of the *Battle of Waterloo*. Daily ends July 31.

Ghent

Museum voor Schone Kunsten. Flemish Expressionism in a *European Context (1900-1930) with* works by De Smet, Ernst, Permeke, Van den Berghe and Zadkine. Closed Monday, ends June 10.

Antwerp

Anthony Caro: monumental sculptures. Huis Osterrieth, 85 meir. Closed Sun, ends June 22.

Rembrandt Bugatti and Belgian Animal sculpture (1860-1930) closed Monday ends July 29. Hessenhuis, 53 Falconrui.

Rome

Galleria Nazionale d'Arte Moderna. Fabrizio Clerici retrospective: in a labyrinth designed by the artist himself and built in the gallery's workshops are hung a series of exquisite drawings and paintings, which move from a group of baroque drawings of Naples, inspired by a childhood visit, to intricate metaphysical works in pastel shades which manage to be simultaneously restful and stimulating. There are also references to Signorelli's apocalyptic frescoes at Orvieto, and the 19th century romantic Boecklin. Ends Sept 16.

Bologna

Galleria d'arte Moderna. Giorgio Morandi retrospective. Over 200works lent by Italian and foreign museums celebrating the centenary of the painter's birth. Limiting himself almost entirely to still-lifes and landscapes inspired by the countryside around his native Bologna, Morandi has been described as the painter of silence. Ends Sept 2.

Mannheim

Städtische Kunsthalle, Moltkestr. 9. Emile Bernard, a painter *always in the shadow of* Van Gogh and Gauguin is honoured with a retrospective of 170 early paintings. Ends August 5.

Munich

Kunsthalle der Hypo-Kultur-Stiftung, Theatinerstr. 15.Joan Miro a collection of scurrilous sculptures and previously unpublished drawings by Miro will be on display in Munich's Kunsthalle until June 17. There are about 130 examples of the work of the Spanish surrealist artist, who died in 1983 at the age of 90.

Vienna

Museum für Volkerkunde has a marvellously exotic exhibition called Jemen, focusing on the world around the Queen of Sheba. Ends June 10.

Madrid

Museo del Prado. Sanchez Coello (1531-1588). Some 50 paintings by this Spanish artist born in Valencia, predecessor of Velazquez. Mostly portraits painted in the court of Phillip II as well as some religious works. Ends June 30.

Barcelona

Fundacion Caja de Pensiones. Edwuard Ruscha retrospective. Clear exponent of the latest *artistic* developments of the west coast of the United States, Ruscha aims to knock down art's traditional role and to offer an ironic view of reality. Closed Mon. Ends July 15.

New York

New York Public Library. More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books, *display the spirit and drive of* the long effort to free the slaves. Ends Sept 15.

Museum of Modern Art. The first retrospective in America in 25 years marks the 80th birthday of Francis Bacon with 60 works dating back to his figure studies of the 1940s. Ends Aug 28.

Washington

National Gallery. More than 90 prints by Edvard Munch show the Scandinavian artist at his most colourful and prolific, mining his familiar emotional themes of anguish, jealousy, death and loneliness. Ends Sept 3.

National Museum of African Art. The national tour of artistic and religious objects, much of it sculpture, encompasses nine centuries of Yoruba civilisation. Ends Aug 26.

National Museum of Women in the Arts. The first major retrospective of the work of Dame Elizabeth Frink includes 60 sculptures and 25 drawings, including monumental bronze casts of male figures.Ends July 4.

Chicago

Chicago Historical Society. The Land of Lincoln does its most famous citizen proud in the exhibition A House Divided. America in the Age of Lincoln, with documents, *mementos and personal* effects of the Great Emancipator.

Chicago Historical Society. A special exhibit of Frank Lloyd Wright's designs for art-glass windows, furniture and silver shows why the details completed the Wright look. Ends June 17.

Art Institute. Before going to the Royal Academy in London later in the year, *Chicago gets* to see Monet's series paintings, including Haystacks, Poplars and Rouen Cathedral, all from the 1890s. Ends August 12.

Tokyo

Idemitsu Museum. Oriental. Ceramics from the Topkapi Palace, Istanbul. The Topkapi's huge ceramic collection is especially strong in pieces from *China and Japan, which were* brought to Turkey via the Silk Road of the Sea. A representative selection has been *chosen for* this exhibition, which marks the 100th anniversary of Turko-Japanese relations. Closed Mondays.

Sogetsu Gallery & Hall. Yoko Ono. Her first exhibition in Tokyo in more than two decades: mainly sculptures and works in paper. Twenty of her films are also being shown, including the notorious Bottoms.

National Museum of Modern Art and Crafts. Van de Velde: furniture, architectural plans, pottery, silverware and photographs by the Belgian Art Nouveau designer. Closed Mondays.

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The US fiscal ice-break

NO HARD news should be expected from President Bush's Budget summit, which resumed yesterday after a holiday break. And the absence of news will be welcome. Bipartisan efforts to face unpleasant decisions can only succeed if the final compromise appears an orphan in party terms. Silence, then, suggests possible progress. But it would be far too optimistic to conclude, as some bond investors appear to have done, that this means the summit will put the Gramm-Rudman-Hollings (GRH) deficit reduction programme back on track. All the signs are that the aim is bipartisan fudge.

This is the third phase of Mr Bush's fiscal policy. In the first, he stuck to his campaign strategy, a flexible freeze. This was based on the hope that, if discretionary spending programmes could be frozen in real terms, the growth of the economy would in due course produce enough new revenue to eliminate the deficit. (The same wishful thought was at the heart of the Baker plan for developing country debt.)

This was beginning to look threadbare a year ago, when the Administration's own deficit projections showed a persistent gap even if the President's policies were adopted; and this was still too optimistic. Growth did not slow down seriously until the final quarter of 1989, but interest rates were well above projections, and debt service now accounts for nearly a sixth of all outlays.

New opening

However, the sudden collapse of militant communism offered a new opening. As recently as three months ago, the revised Budget strategy was one of confrontation. The Administration offered a defence spending plan well in excess of what it thought necessary. If Congress could not produce an acceptable set of proposals, the law could take its course, since the Administration could face the GRH "sequester" of defence spending with equanimity, but the Democrats could not face the threat to domestic programmes.

A sequester was openly threatened in the early stages of the budget debate this year, but now this approach has also had to be abandoned. A combination of slow growth, high world interest rates and the ever-rising cost of the savings and loan liquidation programme has pushed the prospective 1991 deficit up to nearly $200bn, compared with a GRH target of $64bn.

The Administration believes that any attempt to make cuts on this scale would push the economy into a recession which would persist through 1992, which is an election year. It is not surprising that a Budget official decribed this as "quite literally intolerable." According to the Budget Director, Mr Richard Darman, a fiscal tightening of about $55bn is all the economy could stand.

Large gap

This leaves a large gap between a deficit of about $130bn and the $64bn GRH target, which will probably be filled by stretching out the GRH programme, as was done in the "fix" of 1987, and by revising the accounting rules for the savings and loan rescue. The whole vast expenditure – $130bn on the latest admission from the Treasury, but potentially much higher according to the General Accounting Office – may be treated as a special off-Budget item. These decisions require Congressional votes: hence the need for a bipartisan approach, even if it involves higher taxes.

There is a sound case to be made for treating financial rescues off-budget. The expansionary impact (or inflationary damage) from imprudent lending was done in the mid-1980s, and cannot sensibly be offset years after the event. But the idea that the economy is too weak to withstand a sensibly tight budget seems entirely wrong. On the contrary, the events of last year offer a good reason to deflate.

The drive to re-equip east European industry will absorb savings previously available to finance the US deficit. There will have to be a US adjustment, and if it is not planned, it will come at the expense of investment and so be gravely damaging in the long run. Politically, too, some Republicans argue that, if the President is going to compromise on taxation at last, he should aim for the maximum results. The markets are unlikely to be happy with much less.

The future of investment trusts

IN ITS attempt to fight off a takeover by the pension funds of Britain's state-owned coal industry, Globe Investment Trust argues that the bid raises significant issues for the future, and should be referred to the Monopolies and Mergers Commission.

It is half right. The bid for Britain's largest investment trust *does* raise some important questions for the future of pooled investment vehicles. Unfortunately for Globe, these are not issues of competition policy. It would therefore be wrong for the Office of Fair Trading to recommend, next week, that the bid be referred to the Monopolies Commission.

The wider questions that lie behind the bid remain. Under Britain's markets for financial instruments runs a deep fissure: between instruments and practices suitable for individual investors, and those suitable for professional investment institutions.

In the Globe case, the fissure can be clearly seen. Like those of other big investment trusts, Globe shares trade at a discount to the value of the trust's assets (shares in other companies, quoted and unquoted). The only possible rationale for this discount is that the uncertainty over whether a trust's management will prudently manage the flows from its investments offsets the advantages of having a management at all.

That is how the calculation works for an institutional investor, at least. It can obtain respectable average performance – all that Globe can claim to have delivered – more cheaply elsewhere, by investing in an index fund, for example, or holding the underlying stocks itself.

It is not so obviously true for an individual investor, for whom a big, "general international" trust like Globe offers low costs and convenience.

Distinctive features

Yet the price for shares in Globe is set by the investment institutions, which do not value its distinctive features, rather than by individual investors, who do. So the coal funds can obtain Globe's assets at a discount.

They cannot be blamed for taking advantage of this opportunity, as they have recently done with two other investment trusts. Institutional shareholders in Globe cannot be blamed for accepting if the current bid – or a revised, higher offer – appears attractive. And it is irrelevant, whatever Globe's more strident supporters may say, that the coal industry is in state hands, or that pension contributions attract tax relief. Neither of these factors gives the coal funds an unfair advantage.

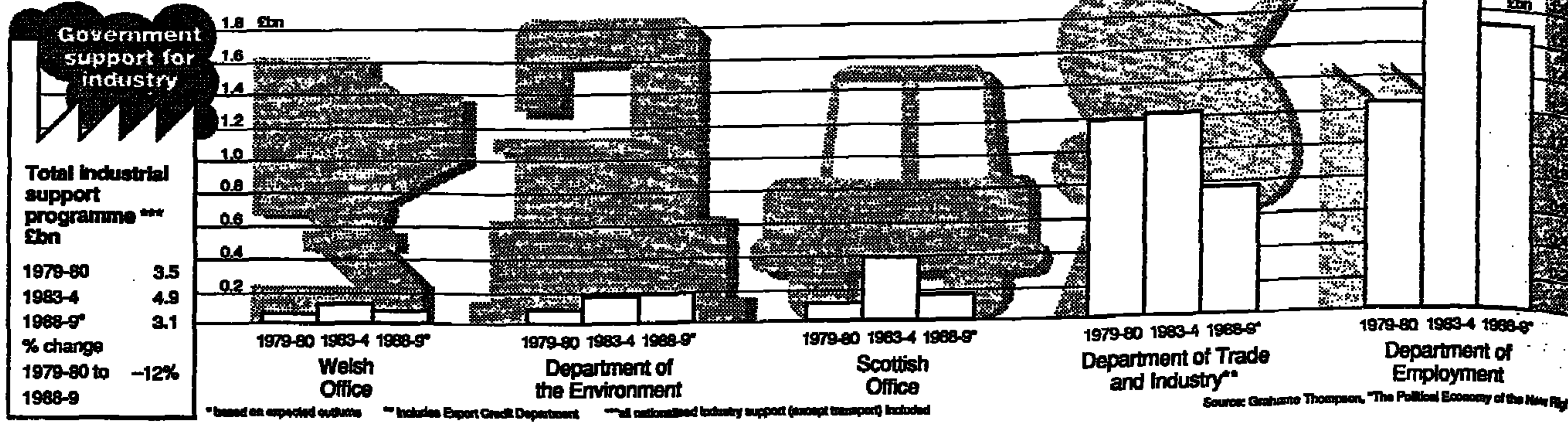
Softened impact

The coal funds have softened the impact of their offer on individual shareholders by finding ways for them to avoid capital gains tax on the sale. And since a successful offer will pay more than the pre-bid value of Globe shares, shareholders will gain, in the short run, rather than lose.

Yet it is hard to disagree with Globe's argument that this bid, if successful, would hasten the disappearance of such large general trusts. It would narrow individual investors' choices. The most obvious alternatives – investment in individual shares and unit trusts, or in tax-favoured instruments such as Tessa bank savings accounts or Personal Equity Plans – are restricted or relatively costly.

Investment trusts have drawbacks of their own, especially the discount to net asset value. Globe's principal disadvantage in the battle, however, is the way it sits astride the fissure in the UK's financial markets. Because it is both a vehicle for individual investors and a home for institutional money, it cannot satisfy either side properly.

If Globe survives – helped, perhaps, by the rise in the stock market since the coal funds' original offer – it is already planning to establish itself more firmly on the individual investor's side of the fissure. It would aim to achieve, as some trusts already have, a majority of equity in the hands of individuals. Losing the battle would frustrate that aim. That would be a pity; but muddying the Monopolies Commission's remit by dragging this takeover bid before it would be a worse one.



Charles Leadbeater looks at British industrial policy over the past decade

A legacy that will linger on

In the past few years the French state has thrown billions of francs into Thomson's gamble to become a force in the electronics industry of the 1990s. Over the same period the British Government has spent at most £125m to attract Japanese vehicle makers to rejuvenate the British-based car industry.

The first is the product of an unashamedly nationalistic industrial policy. The second has been conducted under the banner of a free market economic policy. Yet it has been an industrial policy none the less. Has it been effective?

One assessment of the past decade is that the British industrial base has withered so much that the country is dangerously dependent upon foreign companies.

An opposing view is that the Government has turned the economy into a prototype which others will soon have to follow by opening up inward and outward investment flows. In this type of economy the more cosmopolitan the ownership base the better.

As the next election draws closer, the debate will heat up. Doubts are already being raised about the extent of the improvement brought about by the anti-interventionist policies of the past decade, as industry experiences slowing productivity, rising unit costs and narrowing profit margins.

Alternative ideas for government fostering a partnership with industry, promoted by the Labour Party and such modernising Tory paternalists as Mr Michael Heseltine, the former defence secretary, have gained prominence. Both say policies to strengthen the nation's industrial base would be more central in overall economic policy under their governments.

At first sight the suggestion that the Government has been pursuing any kind of formal industrial policy will seem odd. Since 1979 it has seemed as if industrial policy could only be measured along a single dimension: whether there was more or less state involvement in industry. Yet the reality is more complex.

Public spending by the Department of Trade and Industry between 1979 and 1989 fell by 36 per cent, according to Mr Grahame Thompson, an economist at the Open University. But government spending on industrial support by all departments has fallen by only about 12 per cent.

The reason for this is that the deep cuts at the DTI have masked a redistribution of industrial spending as other departments expanded their roles in industrial sponsorship. The Department of Environment's spending on industrial support rose by 91 per cent over the period, the Scottish Office's by 42 per cent, the Department of Employment's by 38 per cent, and the Welsh Office's by 35 per cent.

Privatisation has played a significant role in changing the state's involvement in industry, but it has not eliminated it – the state still owns 49 per cent of British Telecom. More important, ownership, a direct and specific form of state participation, has given way to the umbrella of regulation, through which the state exerts indirect control. This autumn's Office of Telecommunications review of competition in the sector will show that regulation may be a more powerful tool to reshape an industry than ownership of only one company within it.

During the 1970s, ambitious regional assistance programmes were one tool that moulded industrial policy. These were reined in after 1984, when the Government decided that grants automatically awarded to companies locating in an assisted area risked wasting public money because some companies would have invested without the grants. To reduce this deadweight spending most grants have been made discretionary.

Thus, in these three areas – spending, privatisation and regional support – the state's role has been reduced and altered though not eliminated. But in two other areas – small businesses and education and training – industrial policy has been given new life.

As far as the Government is concerned, it has largely become a question of promoting innovation, flexibility and entrepreneurialism among a flotilla of small companies. A further aim is the development of a highly skilled workforce, one of the most important aspects of any policy designed to upgrade a nation's industrial base.

However, while the Government might claim some success in stimulating entrepreneurial attitudes, several international academic studies have concluded it has done too little, too late on training. British training still lags behind that of West Germany and France. The Government's most ambitious training initiative, the creation of local Training and Enterprise Councils, was launched nine years after the election of Mrs Thatcher's first government.

Despite the dramatic shift under Mrs Thatcher, the DTI remained largely untouched until 1987, when Lord Young, then Secretary of State, unveiled the Enterprise Initiative. Its main role now is to provide industry with advice about issues such as advances in manufacturing technology or developments in international product standards. It has a more international orientation as trade and the openness of international competition become increasingly inseparable from domestic industrial policy, particularly as the single European market takes shape.

Under the tenure of Mr Nicholas Ridley, however, there are doubts about the department's long-term future. Mr Ridley says: "We will only do things that government can do and business cannot."

The Labour party alleges this limited view of the DTI's role amounts to its epitaph. For example, its advice, information and promotion role is something that private sector consultants and marketing organisations may be better placed to perform.

Doubts also hang over the future of the Enterprise Initiative, which may well become a responsibility of the Training and Enterprise Councils. It is likely that the trend for the DTI's work to be taken on by other departments will continue. Some of its responsibilities will be encompassed by the European Commission which will become increasingly important in the regulation of trade and takeovers.

The reshaping that has been going on for the past four years has been uneven. The inward investment effort is highly professional and well co-ordinated through the Invest in Britain Bureau. Yet there is no coherent model underpinning the state's widening regulatory activities.

Equally, many of the DTI's traditional activities would seem to have a limited future under Mr Ridley. Yet he is more pragmatic than many critics think. An internal reorganisation has produced only 100 job losses. There are no plans for further cuts in the DTI's workforce, which has remained at about 11,000 in the 1980s.

It is as if Mr Ridley is uneasily trying to manage an unwelcome inheritance that he cannot jettison. It is this unease which the alternatives put forward by Mr Gordon Brown, Labour's industry spokesman, and Mr Heseltine seek to address. Mr Heseltine, a leading contender for the Tory leadership, has made his commitment to industry a central plank of his vision of the party in the 1990s.

Both would maintain continuity with some of the aims of the 1980s – for instance, support for small- and medium-sized enterprises, the extensive system of regulation and the links between education and industry – if not their implementation.

But more striking is the way Mr Brown and Mr Heseltine seem to echo one another's policies and to break with the past decade.

Their differences are overstated: Mr Heseltine supports privatisation; Mr Brown opposes it. Yet in practice Labour's ambitions are limited by its desire to appear a responsible holder of the public purse. The renationalisation of British Telecom is more totem than policy.

Both argue that the market alone is not enough. They appeal to the accepted role of the state in other European economies as evidence that state support is a natural component of industrial competitiveness. That is familiar for the Labour Party but not from a leading Tory.

Mr Heseltine says in his recent book The Challenge of Europe: "Intelligent responsible politicians should stop pretending industrial support is a doctrinal intrusion into the workings of the market place. It is an unavoidable part of today's competitive world."

Both Mr Heseltine and Mr Brown want to encourage companies to make long-term commitments to research, development, investment and training. They bemoan contested takeovers for creating needless instability. Beneath that is a deeper cultural attachment to industry as the font of wealth rather than retailing and financial services.

Both would give regional development of indigenous industries much greater prominence. Mr Brown says: "Industrial policy should restore balance in the economy and between the regions." This resurgent regional policy would be delivered by stronger local bodies, built upon the Training and Enterprise Councils which the Government is setting up.

Their visions of local industry policy differ. Mr Heseltine says: "I very much believe that for a local economy to flourish there has to be a capitalist power structure. The entrepreneurial rebirth of local business creates a business force which is confident, dynamic and resourceful." Labour would give local authorities a more influential role in the TECs and create local investment banks to back businesses throughout the regions.

The underlying similarities between the Brown and Heseltine approaches have provoked common criticisms. They are accused of underestimating the extent to which the British economy has internationalised. The companies which Mr Heseltine would champion are as likely to be Japanese or American as British.

Neither seems capable of proposing institutions strong enough to carry the burden of rebuilding industry's muscles, which they claim have been so badly malnourished. And although both want to encourage long-termism neither has specific proposals which would shield companies from the pressure of City expectations.

Neither has yet addressed comprehensively the defence industry's adjustment to lower military spending and the sweeping impact of tighter environmental regulations on manufacturing, which could become the big issues of industrial policy.

But the main doubt is the one that has dogged active British industrial policy since the Second World War: if companies are not prepared to invest in a particular product or place, there is little evidence that governments can persuade them.

As Mr John Hendry's recent account of the sorry tale of policy towards the fledgling postwar British computer industry, Innovating for Failure, concludes: "If a firm does not want to do something, if that something is incompatible with its own privately developed corporate strategy, then government money will make little real difference."

Indeed, it is not clear that either Mr Brown or Mr Heseltine would attempt to change corporate strategies by cajoling companies to undertake investments they judged questionable. For, despite their claims that they are turning their backs on the past decade's policies, both would confirm one of the Government's most important breaks with the past.

Since the 1940s, industrial policy has attempted to influence the decisions of big companies. Mrs Thatcher's governments broke with this interventionist approach, by focusing on the environment within which companies operate and by extending the reach of the competitive market. The Government cannot influence directly: it can only influence companies indirectly by creating the external environment to encourage them to make the right decisions.

Mr Brown's and Mr Heseltine's vision of the context in which companies would prosper differs from Mrs Thatcher's. But they both tacitly endorse one of her most important shifts: that is away from specific measures targeted at large companies, towards more general measures which affect a broader swathe of small- and medium-sized companies.

Albania on its own

■ A diplomatic diversion has come from an Albanian delegation to the "human dimension" session of the Conference on Co-operation and Security in Europe (CSCE) which is taking place in Copenhagen.

The Albanians turned up on Tuesday and asked for, and were granted, observer status to the 35-nation forum, which is a follow-up to the CSCE Helsinki Final Act of 1975. Then Albanian Ambassador to Stockholm, Petrit Buchati, told a news conference yesterday that Albania wanted to become a full member of the CSCE as soon as possible.

There were, however, a few questions as to whether Albania was thinking of observing the Helsinki Final Act's provisions on human rights, let alone the basic democratic rights to free elections and the rule of law which are now being mooted as basic provisions of a follow-up CSCE text.

It seems not. Bejo Sazan, of the Albanian Foreign Ministry, told journalists that free elections and a multi-party system in Albania are quite unnecessary as "everyone in Albania supports the government and there is no opposition".

Still, it is not so long ago since a number of other countries in Europe were saying much the same thing, and look what happened.

Jock's fishing

■ The late Lord Bruce-Gardyne, who will continue to be remembered as Jock, was a passionate fisherman. So was Viscount Grey of Fallodon, a famous Foreign Secretary. Grey wrote: "Sometimes I think that sea trout fishing is the best of all sport," and described in almost Wordsworthian terms the sense of liberation that it brings.

The passage was read at the Thanksgiving Service at St Margaret's, Westminster Abbey, by Nicholas Ridley, the Secretary of State for Trade and Industry, yesterday. Ridley and Bruce-Gardyne were close allies at the time they thought that Prime Minister Edward Heath was conducting too much of an interventionist policy. And if Ridley ever needs another job, he could go in for reading lessons in church. It was a most accomplished performance.

OBSERVER

Close to Fame

■ We did not quite tip Quest for Fame for the Derby in our item on Tuesday, but we did note that the horse was trained by the former stockbroker, Roger Charlton, the man who trained Sanglamore, which won the French Derby on Sunday. Fame has duly come. A £1 double bet on the two horses would have won £83.

Chinese police

■ Jan Wong, the Peking correspondent of Canada's Globe & Mail, tells a strange story of the Chinese police. Wong, a Canadian of Chinese extraction, recounts that she parked the newspaper's beige Toyota across the street from the Peking Hotel on June 4 last year while she covered the events in Tiananmen Square on foot or bicycle. Three days later, the car disappeared, and the police were not helpful.

The nine-year old car was spotted last month parked at a traffic circle. Instead of the black licence plates required by foreigners, it had been fitted with a police licence number and a band of red lights and sirens strapped across the roof. When confronted, the police told Wong they would return the car on June 5, once their minds were off the Tiananmen anniversary. They have now done so. Inside, in Chinese, was a road tax receipt identifying the owner as the Canadian Globe and Mail.

"This fiver's forged, sir. It's got the wrong Stephenson on it."

Imperial Fund

■ The man behind the Austro-Hungary Fund Limited, launched yesterday and designed to invest in Austrian and Hungarian equities, is neither Austrian nor Hungarian, but by origin a Czech.

Peter Kysel was on holiday in England between university and national service when the Soviet Union invaded Czechoslovakia in 1968. So he decided to stay. His Russian was good, but his English almost non-existent.

Kysel took a job washing dishes and carrying suitcases at a hotel in Llandudno, picking up the language as he went along. He is now the managing director of Lloyds Investment Management International, which will manage the new fund.

On the road from Llandudno, Kysel worked for Charter Consolidated. He is an engineer by training, and became a mining analyst. But his aim was to be a fund manager. He achieved that with Touche Remnant before moving to Lloyds Merchant Bank.

"We are cherry-picking in Hungary, not buying the country," Kysel said yesterday. The idea was first put as an Austria Fund. It was Kysel who suggested putting Austria and Hungary together in a dual country fund.

The Hungarian Stock Exchange officially re-opens on June 21. Kysel says that he does not expect more than about a dozen stocks to be actively traded at the start, but this will be the "touch-down before a take-off". The Fund will be the first foreign company to be registered on the Exchange. Merrill Lynch International will be the lead manager of the issue.

Rasser's day

■ Michael Rasser, the hairdresser, is both flattered and touched. The Princess Royal has asked him to represent her at the Memorial Service for Norman Parkinson, the photographer, at Westminster Abbey today. It was Parkinson who introduced Rasser to the Princess over 20 years ago. They did the pictures for her 21st birthday together. Rasser has been her hairdresser ever since, but he never expected to be in quite such a prominent position at Westminster Abbey.

Off white

■ The latest communication to members from the London Bullion Market Association contains a warning which deserves wider attention about a current male fashion trend in Britain – wearing white socks with any colour suit.

The LBMA cautions: "If you do, tread carefully in Switzerland because there white socks send a message as clearly as a man in London who is wearing make-up and carrying a handbag."

Hugo Dixon on the role telecommunications can play in the reform of communist economies

Eastern Europe tries to phone home

Sitting in the international telephone exchange in Moscow are 20 operators. This is the only electronic gateway to the outside world for the Soviet Union's 290m people. It has 16 circuits for calls to the US and 34 for calls to the UK. Of the 750 outgoing lines, most are reserved for communications with other communist countries.

Soviet people made only 11m international calls last year – equivalent to one for every 25 citizens – compared with 600m calls made from the US.

That average conceals wide discrepancies. The élite – party bosses, government departments, joint ventures, foreign embassies and news organisations – have 93 per cent of the capacity dedicated to them. The vast mass of the Soviet population has never made an international call.

The Soviet Union and the former communist governments of eastern Europe kept information flow to a trickle – not only with the outside world but internally as well – because of a fear that if people talked with one another freely their totalitarian regimes could be undermined. The fewer the phone calls, the easier it was to monitor and control what was being said.

Such a system may in the past have been effective in suppressing democratic impulses but it has left eastern Europe's phone networks in a terrible state. The lack of effective communications is one of the most serious barriers to the transition from centrally planned to free market economies.

Decentralised economies cannot work unless companies can exchange information with their suppliers, distributors and customers. Trade with the rest of the world will be slow to develop unless there is a leap forward in international communications. And foreign companies will be reluctant to invest in eastern Europe, bringing valuable finance and technology, unless they can communicate with their head offices back home.

The new governments of eastern Europe are beginning to recognise this and most have plans to double or treble the size of their networks between now and the year 2000, with a priority being the expansion of links between East and West.

This modernisation programme, which the UK-based Telecommunications Research Centre estimates will cost about $350bn over the next 15 years, represents a significant opportunity for western telecommunications companies. Eastern Europe has neither the technology nor the funds to manage the job on its own.

There is much to be done.

- People usually have to wait five to 10 years to get phones and, in some places, have given up hope of ever receiving them. The density of lines is about 10 per 100 people, compared with about 50 per 100 in western industrialised countries. In some outlying regions such as Siberia, the density is less than one in 100.
- Phones do not work properly. Too many lines have been attached to local exchanges and not enough long-distance infrastructure has been built, so the systems get jammed up as frustrated callers try again and again to call one another.
- Equipment is out-of-date. In the Soviet Union, some lines date from before the 1917 revolution and, in East Germany, 23 per cent of the switching equipment stems from 1922-1934. Many rural areas are stuck with manual exchanges, meaning operators make connections by plugging in wires by hand. There are hardly any digital exchanges or fibre-optic cables, now common in the West.
- Facsimile machines, mobile phones, data transmission and other advanced services barely exist.

The parlous state of eastern Europe's networks has not only been caused by the desire to control communications. Three other factors have also militated against the creation of efficient telecommunications. First, Stalinist economic theory considered services as a cost borne by the economy rather than a form of production. So while the West has been investing 1 per cent of GDP on telecommunications, the East has spent less than half of 1 per cent of what is anyway a much smaller GDP.

Second, the phone companies, which are even more divorced from consumer pressure than their western counterparts, have had no incentive to improve efficiency or to adopt new ideas. An example is provided by BHG, the leading Hungarian manufacturer of switches. It makes two main models – a fairly up-to-date electromechanical switch for the Hungarian market and a 20-year-old model for the Soviet market. The Soviet Union did not want the more advanced model because this would have involved retraining its engineers.

Finally, the West has denied the East the most advanced communications technology out of a fear that it could be diverted to military uses. CoCom, the Co-ordinating Committee on Multi-lateral Export Controls, which consists of most Nato members plus Japan and Australia, meets in Paris this week to review this policy.

But, although export controls are likely to be relaxed for Hungary, Poland and Czechoslovakia – which have made the biggest strides towards democracy – CoCom is still taking a hard line with the Soviet Union. This week's decision by the US to block the construction of a fibre optic cable across Siberia is the most visible example of this.

Where the money will come from to put right decades of neglect and inefficiency is the key question eastern Europe must face. With the exception of Germany, the governments are not rich enough to assume most or all of the costs. International organisations such as the World Bank will only be providing relatively small amounts of cash – in the hundreds of millions rather than billions of dollars – for specific projects.

This is forcing eastern Europe to turn to private companies both at home and abroad as its possible saviour, providing opportunities for the large western phone carriers. Poland and Hungary, which have the most advanced plans, each wants to see up to half of the modernisation of their networks to be paid for by private capital. As a result, they are embracing radical plans for demonopolising their telecommunications industries.

Poland is planning to break the monopoly held by the Polish Post, Telegraph and Telephone Company on all aspects of communications – local, long-distance, international, cellular and data communications. It is also considering breaking up the company into its constituent bits and, in the longer term, privatising it.

There are, however, likely to be some controls on ownership by foreign companies to prevent them "cherry-picking" the most attractive parts of the market, such as cellular and international communications, and to ensure they also contribute to developing local services.

Hungary is taking a slightly different approach. Free competition will be allowed for the supply of terminal equipment and value-added services, such as electronic mail and data banks. Mobile communications and basic data communications will be open to partial competition with one or two companies licensed as rivals to Hungarian Telecom. US West, one of America's "Baby Bell" phone companies, has already formed a joint venture with Hungarian Telecom to supply cellular mobile services.

Although the basic network and voice service will remain a monopoly, Hungarian Telecom will be privatised with 30 per cent sold to a group of western phone companies.

Even if Hungary and Poland are successful in attracting 50 per cent of the funds they need from the private sector, their phone companies will still have to generate the remaining 50 per cent internally. To achieve this, a complete reform of tariffs – which are usually too low and riddled with cross-subsidies – will be needed. For example, local calls in Moscow are free and residential customers in Hungary are charged only one eighth of what businesses pay for having phone lines installed. But increasing these prices to costs is likely to prove extremely unpopular.

The Soviet Union lags behind its former colonies in eastern Europe in adopting radical reforms. The Soviet ministry of communications' current intention is to embark on a dose of mega-projects such as the launch of three 18-tonne satellites.

Mr Erlen Pervyshian, the minister, argues that there is already enough competition in the communications industry between the factories and the phone companies under his control. Foreign capital seems likely to be limited to joint ventures to manufacture modern equipment and to niche areas such as providing international payphones for Moscow's top hotels.

Nevertheless, it is possible that the Supreme Soviet, the country's fledgeling parliament, will force the ministry to take a more liberal line. Professor Yuri Gulyaev, chairman of its telecommunications commission, says factories should be freed from the ministry's control and licences to provide services should be sold to organisations outside the ministry.

Eastern Europe needs technology as well as money from the West, with the result that it is set to become a battleground between top western manufacturers. West Germany's Siemens, France's Alcatel, Sweden's Ericsson, AT&T of the US and Canada's Northern Telecom have all been active negotiating joint ventures with local companies across eastern Europe. These deals usually involve the western partner providing technology and finance for new equipment and the eastern partner providing engineers, premises and market access.

But all such agreements in manufacturing will come to nothing unless eastern Europe's network operators can raise enough money to pay for the equipment. This is why the structure of the market has primary importance.

Countries which choose to follow Poland and Hungary down the path of liberalisation stand a fair chance of building workable networks by the end of the century. Those which follow the Soviet Union – and seek to retain their state-owned monopolies – are condemned to a slow and painful modernisation process.

Sacrificing such monopolies may be politically difficult. But this is a small price to pay given the vital role telecommunications can play in reforming eastern Europe's economies.

BOOK REVIEW

Global view of a likeable hawk

FIGHTING FOR PEACE
by Caspar Weinberger
Michael Joseph £18.99, 310 pages

So much in the world has changed in the past year or two that it is hard to recall that Caspar Weinberger left the Pentagon less than four years ago. Mr Weinberger was the US Defence Secretary for most of the Reagan Presidency. In his own words, he helped the President bring about the "rearmament of America." He believes in "fighting for peace."

Yet Mr Weinberger is an amiable man. There is a story about Mrs Takako Doi, shortly to become leader of the Japan Socialist Party, going to see him at the Pentagon expecting to meet a "monster". She went away surprised by how kind and gentle he was. In defence terms, he is certainly a hawk, but not an ultra. He is too intelligent to believe in the predatory use of force. He prefers negotiation through strength.

He has written an interesting book, though you have to read it carefully to find the insights. Its form is a problem. Chapters are divided into particular incidents: the US intervention in Grenada, the bombing of Libya, the Falklands, and so on – and these tend to be classified as successes and failures. Grenada was a success; so was the air strike in Libya. The American participation in in the multinational force in the Lebanon was a failure. The attempt to trade arms for hostages in Iran, with which Mr Weinberger had nothing directly to do, was a disaster and "very nearly politically fatal for the President."

There were two longer-term successes. One was the American determination to go on deploying intermediate range nuclear forces in Europe until such time as Moscow stopped deploying its own and agreed to the INF treaty. The other was the prolonged intervention, with allied help, to protect Gulf shipping lanes during the Iran-Iraq war. They showed the US had staying power.

Yet for the outsider, and presumably also for the practitioner, American foreign and defence policies in the 1980s were not divided into chapters. Indeed, reading between the set-pieces, the most remarkable impression that emerges is how global American policy was – and how nuanced. This comes out clearly in the Middle East, and Mr Weinberger can take some credit for it. He showed no deference to Israel, which had policies he sometimes saw as a hindrance to peace. He recognised the pivotal role of Syria.

Nor was Mr Weinberger's view of the world – in Mr Denis Healey's phrase – one of global unilateralism. He was always looking for allies, aware that if the US did not win support for its policies from abroad, it would be unlikely to get it at home.

There are some scathing comments on those who wanted to use force without thinking of the consequences. Mr Weinberger cites Secretary of State Alexander Haig as telling President Reagan early on that the US "will have to invade Cuba and one way or another put an end to the Castro regime." Compared to some Reagan team members, Mr Weinberger was a moderate.

The book has some omissions. For all his admiration of Mrs Margaret Thatcher, Mr Weinberger forgets to say that she was not well pleased by the US invasion of Grenada. And it is strange that a book about foreign and defence policy in the 1980s should make only passing references to Germany, and those mainly in the context of INF.

Now that he is out of office, Mr Weinberger has reverted to his legendary hawkishness. He does not think that the Soviet Union has necessarily become less of a threat under Mr Gorbachev, and he deplores the annual decline in US defence spending since 1987. "Nothing in the world situation justifies four years of reductions."

Mr Weinberger was an effective Defence Secretary at the time. He should perhaps have noted that the American defence build-up started in the later period of President Carter, just as the move towards detente started in the later period of Reagan. Not everything changes with a change of administration.

Malcolm Rutherford

LETTERS

Judicial reviews: lessons from the Continent

From Mr Thomas Martini.

Sir, On judicial reviews as with other constitutional issues ("A struggle unfolds," June 4) the UK would benefit from looking to continental Europe more frequently to see how a relationship between citizen and state more appropriate to the 21st century should be shaped.

In my home country, West Germany, judicial reviews of all local regional and central government decisions exist as of right and are cost-free to the individual at least up to the Court of Appeal equivalent.

In the UK, I as a German national resident here, and my British solicitors have for just under three years failed even to obtain a reply from the Home Secretary or his Under Secretary to more than ten letters on queries concerning the immigration and nationality status of my under-age daughter. In Germany I would have had the Home Secretary in court for "inactivity" within six weeks of his failing to reply to my first letter.

Where judicial reviews exist as of right and are affordable by all, as in Germany, they have the very beneficial effect that they discipline politicians and bureaucrats and therefore help to prevent unjust decisions or acts being committed by "the state."

There is an important related issue in the UK. This country is unique in the developed world in that the highest judges sit in parliament. As long as the Lord Chief Justice feels called to speak in parliament, there is no independent judiciary in the UK and there is therefore, in the final analysis, always a political, that is an arbitrary, dimension to the law of the land.

Thomas Martini,
18 Poplar Road,
Merton Park, SW19

Tribal instincts in Canada

From Mrs Patricia M. Rustad.

Sir, Ian Rodger ("The Canadian tragedy," May 24) is correct in seeing many moves in the history of Canada as "appeasement" to Quebec by the central government. A typical example was conscription – Quebec vehemently opposed conscription in the Second World War and threatened secession if it was imposed. It was not enforced by legislation until almost the end of the war.

This sense by the rest of Canada of "appeasement" to Quebec has grown over the years on a number of issues. Hopefully this will be the final crunch – Quebec will go its own way. The real problem is still constitutional, but the Meech Lake amendment is not the answer. Pierre Trudeau, in his wisdom, saw the dilemma: 10 provinces and their followers, fighting every inch, rather than give up a fraction of their power to a central government. Trudeau nearly won, but had to capitulate in the end on a number of issues.

An article in the constitution gives provinces the right, among other things, to override decisions handed down by the Supreme Court of Canada. Quebec invoked the article by passing Bill 178 in December 1988, forbidding the English language on outdoor commercial signs. It was this act, overriding the Supreme Court, the Canadian Charter of Rights and Quebec's own Charter of Rights that was the final straw, waking Canadians up to the fact that Quebec was to have a different set of rules from the rest of Canada with the "distinct society" clause in the Meech Lake amendment.

Short of a Canada-wide referendum which would in all probability opt resoundingly for Quebec to secede, I predict that we will continue to argue and posture, escalating every decade or so to crisis levels, if the decision is left to the politicians in Ottawa.

On Mr Rodger's final comment about Canada being an example of a truly harmonious multiracial society, my cynical comment is that a multiracial policy was introduced in large part to counter-balance Quebec's clear intention of remaining a uni-cultural state. Given the natural "tribal" instincts of human beings, the concept of building a truly harmonious multiracial society can only be Utopian.

Patricia M. Rustad,
Mayor,
Beaconsfield,
Quebec, Canada

Poland's economic courage

From Mr Marek Scibor-Rylski.

Sir, I scanned Professor Desai's letter about Thatcherism in Poland (Letters, June 4) carefully for constructive suggestions but drew a blank.

If he is a careful student of eastern European change he will doubtless have noted that the industry which Poland is about to lose is either killing its people from pollution or used to supply the Soviet Union at artificial exchange rates, thus impoverishing the nation.

If Professor Desai has any ideas on how to maintain living standards in an economically ravaged environment we will all be interested.

In my recent conversations with members of the Polish Government – a young government with first-rate academic qualifications – it was clear that Poland would welcome being a manufacturing centre for Europe because only then would it have the infrastructure to meet consumer demand in a liberalised world. At the moment, the Poles dream of having the UK's economic problems. Professor Desai cannot hold that out as a disincentive.

As overseas investors are now looking seriously at Poland in large numbers (Polish debt is surely due for major write-offs), they see numerous investment opportunities.

True, there is a choice between a Swedish or UK economic model at some stage but no choice at all if inflation is not tackled effectively first. Also fundamental is an understanding about what manufacturing is appropriate for a country to pursue at any given time. Controlled economies try to ignore this with well-known results. (The UK tried too).

I believe we are witnessing an act of economic wisdom and courage in Poland which will need great effort and sacrifices to succeed. Success can be quicker than is currently considered possible, but then eastern European history is in fast forward.

Could it be that Professor Desai is really mourning the death of the controlled economy.

Marek Scibor-Rylski,
Industry Investment Associates,
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Marylebone Road, NW1

Alarmists and greenhouse gases

From Mr A. Doll-Steinberg.

Sir, Ritchie Cogan's reply to Christopher Dunkley's review of the One World programmes does little to challenge Mr Dunkley's basic thesis.

The United Nations Secretariat, looking forward no doubt to a sizeable increase in its budget to discuss a new "impending disaster" scenario (the AIDS scare seeming to have lost its ability to frighten us sufficiently to allocate the necessary funds to justify any more meetings in the Bahamas and similar locations) is not too convincing as an objective witness.

And making reference to "300 of the world's leading scientists ... (who) confirm that greenhouse gases will warm the earth's surface with serious consequences for us all" does nothing to contradict Mr Dunkley's point that one could find an equally impressive number who would deny that claim.

Points to which the alarmists never seem to address themselves include:

- The fact that we know little of the effect of the oceans on the carbon dioxide equilibrium (the Economist of April 7 carried a thoughtful article on this point).
- To measure the increase in the annual average atmospheric temperature (a nice graph of which, frequently going back to the middle of the last century, often adorns popular alarmist articles) would require measurements to be made regularly (hourly?) all over the surface of the earth and also up to the top of the atmosphere on say a one-kilometre three-dimensional grid. I am not aware that such measurements are being made at present and it would be interesting to know where the corresponding data going back to the last century have been obtained from.
- Since the middle of the last century the increase in the human population will have accounted for an increase in the annual output of carbon dioxide (by far the most important of the "greenhouse gases") of the order of 1bn tons. While this is, of course, also man-made pollution, since it is not in essence western, industrialised, and capitalist man-made it does not seem to count in alarmist calculations.

A. Doll-Steinberg,
18 Holly Walk, NW3

FINANCIAL TIMES
Thursday June 7 1990

Albania ready to adopt Helsinki accords

ALBANIA, in a foreign policy reversal, said yesterday that it wanted to join the Conference on Security and Co-operation in Europe (CSCE) and would adopt all the principles of the 1975 Helsinki Accords, Reuter reports from Copenhagen.

Albania, which said last month it wanted to take part in the CSCE process but did not speak of formal membership, is now attending a CSCE meeting as an observer for the first time.

"The aim is that we adopt all the rules of the conference and take care to accept what has been accepted by other participant countries," Mr Petrit Bushati, the Albanian Ambassador, told a news conference.

Mr Bushati's statement affirmed that Albania, the last orthodox communist state in eastern Europe, was making a clear break from 15 years of self-imposed isolation during which it spurned all alliances and limited its international activities to the United Nations.

Mr Bushati said Albania wanted to join the CSCE process, which groups all other European countries with the US and Canada, after as short a transition period as possible.

Asked if Albania would recognise political pluralism, allow a multi-party system and free elections, Mr Bejo Sazan, an Albanian delegate, said there was no opposition in the country because everybody supported the Government.

"If there is full approval by the people for the government, there is no need to artificially create opposition to this Government," he said.

Since the overthrow of communism in most of eastern Europe last year, Albania, which is not a member of the Warsaw Pact, has cautiously begun to reform its economy, political system and human rights policies.

It has eased travel restrictions, revamped the legal system and lifted curbs on religious propaganda for the first time since they were imposed by Mr Enver Hoxha, the Stalinist leader, in the 1960s. Mr Hoxha died in 1985.

This has brought Albania a step closer to meeting the standards of the Helsinki accords, which Tirana had shunned for 15 years.

Despite the lack of opposition groups or parties, Mr Bushati said: "That does not mean a lack of a democratic element in Albania."

He said about 85 people were jailed in Albania for political reasons. They had tried to overthrow or change the system by force, he said.

"There have been no persons harassed for... their religious convictions," he said, noting that the law banning religious propaganda had been abolished.

Pressed by sceptical questioners over whether Albania truly intended to comply with CSCE principles, which were laid down in Helsinki in 1975, Mr Bushati said: "As we are taking part in the process, we have to observe the rules."

He said Albania would not follow any other country's economic model but, under laws adopted recently, industrial and agricultural enterprises would be self-financing.

They would not be financed from the state budget but would be self-sufficient and would share profits among the workers.

● The widow of Mr Enver Hoxha came out in support yesterday of the reform programme of Albania's President Ramiz Alia in what may be a significant victory for Mr Alia's course of reforms, writes Laura Silber in Belgrade.

Speaking in public for the first time in a month, Mrs Nexhmija Hoxha spoke at a meeting of the Democratic Front of Albania. According to the Yugoslav news agency Tanjug, Mrs Hoxha evaluated positively Mr Alia's programme.

Observer, Page 14

Ousted Czech communist chief arrested

By Leslie Colitt in Prague

MR MILOS JAKES, the former Czechoslovak Communist leader, and four senior Party leaders, were arrested yesterday, on the eve of the first free elections in Czechoslovakia since 1946.

The five were accused of abuse of power and violating the law in connection with the invasion of Czechoslovakia by Soviet-led Warsaw Pact armies in August 1968, Mr Andrej Samel, the Deputy Interior Minister, said.

However, the Justice Ministry later announced that Mr Jakes and three others had been released.

The arrests were announced as Mr Vaclav Havel, the President, who helped overthrow the Communist regime, left for Moscow to attend a meeting of the Warsaw Pact's Political Consultative Committee.

Mr Jakes, 67, who replaced Mr Gustav Husak as party leader in December 1987, was forced to resign last November after demonstrations led by Mr Havel against the brutal police crackdown on a peaceful student protest.

Mr Jakes, as head of the Communist Party's powerful Internal Control Committee, oversaw the purge of 500,000 party members following the invasion which crushed the "Prague Spring" reforms of party leader Mr Alexander Dubcek. He became party leader in 1987, succeeding Mr Gustav Husak, who replaced Mr Dubcek in 1969.

One of the arrested officials, Mr Vasil Bilak, was long suspected by party reformers of having instigated the August 1968 letter to Mr Leonid Brezhnev, the Soviet leader, calling for assistance to the beleaguered Czechoslovak party hardliners.

Mr Bilak served as the party's post-1968 ideological overseer and was only relieved of the position in 1988 when his extremist views became an embarrassment even to the orthodox leadership under Mr Jakes.

The others detained on orders of the Justice Ministry were Mr Jozef Lenart, a long-serving leader of the Slovak Communist Party and member of the Czechoslovak party's ruling presidium, Mr Rudolf Hegenbart, head of the former Central Committee's department of state administration and Mr Michal Stefanak, the head of the central committee's international policy department which had intimate links with Moscow.

Coming only two days before the elections, the arrests could further dampen the already dim electoral chances of the successor party to the old Communist Party. Public opinion has become increasingly vindictive toward the communists whose 42-year rule is blamed for virtually all Czechoslovakia's economic and political ills.

● Mr Jan Ruml, Deputy Interior Minister, said last night that he had incriminating material linking Mr Josef Bartoncik, chairman of the People's Party, with the secret police, writes John Lloyd. Mr Bartoncik has already been the subject of allegations of such links in an Austrian magazine – allegations which covered other leaders of his party including Mr Richard Sacher, Interior Minister. Mr Ruml said he would hand the material to the public procurator.

It is understood that Mr Bartoncik will shortly announce his resignation from the leadership of the People's Party on health grounds.

Godlike Havel, Page 2

Gorbachev faces more violence

Continued from Page 1

quell unrest. He also told deputies that Uzbeks from the neighbouring Fergana region, scene of bloody race riots over land rights last year which left up to 100 dead, had arrived to help their compatriots.

Tass said armoured personnel carriers patrolled the streets of Osh as military helicopters hovered over the town.

"Bloody clashes, often with the use of firearms, are taking place in five districts," the official Soviet news agency said.

Mr Lukyanov, appealing for deputies from Uzbekistan and Kirghizia to help calm the situation, said he had already consulted leaders of the two republics.

Osh, which is close to the Uzbek border, was incorporated into the new district of Kirghizia by the Bolsheviks in 1924 despite the fact that its population was mostly Uzbek. This incorporation, coupled with fierce competition for scarce land, high unemployment, and acute housing shortages, has proven explosive.

The youth newspaper Komsomolskaya Pravda said that the trouble in Kirghizia began last month when Kirghiz demanded land belonging to an Uzbek-owned collective farm so that they could build homes. The housing waiting list in Osh is 15 years long, according to local officials.

● A crucial plenary meeting of the ruling Central Committee of the Soviet Communist Party has been summoned for the weekend, at a moment when the party is deeply divided both over its own future and economic reform plans, according to reports in Moscow last night.

President Mikhail Gorbachev seems certain to face new assaults from conservatives in the party for the increasing disarray in government. Meanwhile the victory of Mr Boris Yeltsin as president of the Russian parliament has strengthened the hand of radical reformers.

BCCI plans sweeping job cuts in restructuring programme

By Richard Donkin in London

THE BANK of Credit and Commerce International, one of the world's largest non-quoted banks, is cutting about 500 jobs from its UK workforce and closing 17 UK branches as part of wide-ranging rationalisation plans.

The final figure of job cuts by the bank internationally of its 14,000 workforce is widely expected to be about 4,000. The reduction in the bank's UK-based staff is expected to be nearer 1,000 when London-based international support staff are reduced. BCCI employs nearly 2,500 people in the UK at present.

The bank is still examining proposals to reduce its presence in a number of countries. This would include moving out of South America, much of North America and Nigeria.

The cuts have been forced by after-tax losses of $498m recorded by BCCI in 1989. The restructuring programme will take the bank's headquarters from London to Abu Dhabi and is likely to see its base of registration move out of Luxembourg.

BCCI, with assets of $23.5bn, made provisions of $600m in its 1989 accounts for bad debt, most of it trade related.

Yesterday was the deadline for employees to accept voluntary redundancy terms. Mr David Burton, an official of the international banks division of BIFU, the banking union, described the terms as "blackmail."

He said: "The employees know that if they don't apply for voluntary terms, the compulsory redundancy terms will be even worse."

Mr Shahid Ahmed, BCCI's spokesman, confirmed that the bank would make more staff redundant when it moved its headquarters to Abu Dhabi, probably in August or September. But he said that the figure of up to 4,000 being suggested by some yesterday, was speculative. He added that the number of UK branches would be reduced from 43 to 26 by the end of July.

Redundancies had been expected since BCCI announced its 1989 results in May and confirmed that control had passed to Sheikh Zayed bin Sultan al Nahyan, the ruler of Abu Dhabi who now holds some 77 per cent of the equity through a number of government agencies.

In January two BCCI subsidiaries pleaded guilty to drug money laundering charges in the US.

Chicago to oppose SEC switch

By Barbara Durr in Chicago

THE CHICAGO futures markets and their defenders in Congress pledged yesterday to fight and defeat a long-awaited proposal by the US Treasury to shift regulatory authority for stock index futures from the Commodities Futures Trading Commission to the Securities and Exchange Commission.

The Treasury sent the proposal to Congress late on Tuesday.

The exchanges believe that SEC regulation of stock index futures and, in particular, its supervision of margins – money deposited as security against losses – would harm their competitive standing in international financial markets. Chicago accounts for half the world's futures business.

The exchanges, which set their own margin payments and are subject to federal supervision of margins only in emergencies, fear that the SEC could force margins so high that the futures business would move overseas.

Mr Nicholas Brady, Treasury Secretary, believes however that stocks, stock options and stock index futures are one market and should have one regulator. He contends that stock index futures played significant roles in the stock market drops of 1987 and 1989. He suggests that unification of regulation would decrease the chances of market disruptions.

Senator Patrick Leahy, Democratic chairman of the Senate Agriculture Committee, which oversees the CFTC, says Mr Brady's proposal is based on "false advertising – it will not prevent another crash in the stock market." He charges that the proposal would raise "a hornet's nest of legal uncertainties" and that, by "weakening the CFTC, it will guarantee future commmodities scandals."

Mr Leahy referred to the 1989 revelations of trading fraud that followed a two-year Federal Bureau of Investigation probe of the two Chicago exchanges. The Treasury's proposal – the Capital Markets Competition, Stability and Fairness Act – would also amend the Commodity Exchange Act which says that any financial instrument with the quality of a futures contract must be traded on a futures exchange and come under exclusive authority of the CFTC.

The Chicago exchanges argue that, if reform must come to financial regulation, the SEC and CFTC should be combined in a new agency.

Underlying the regulatory battle is fierce regional competition between the New York and Chicago financial markets. Mr Brady is regarded as a staunch ally of Wall Street.

● International Capital Markets, section II

Spain, UK to thwart EC rule on emissions

By Tim Dickson in Brussels and Steven Butler and Alison Smith in London

EUROPEAN Community plans to stabilise carbon dioxide emissions by the year 2000 seem certain to be frustrated by Britain and Spain at a meeting of EC environment ministers in Luxembourg today.

Mr Chris Patten, Britain's Environment Secretary, yesterday defended Britain's decision to stabilise emissions by the year 2005, saying the commitment was realistic. He said that other countries needed to put in place policies that would achieve reductions in greenhouse gas emissions rather than simply to espouse goals.

Mr Patten also dismissed opposition Labour Party accusations that the Government had intentionally inflated projections for the growth in carbon dioxide emissions by 2005 in order to exaggerate the significance of the policy. Detailed government measures to limit emissions are to be spelled out in a white paper (policy document) later this year.

Carbon dioxide is the main greenhouse gas responsible for global warming and Brussels is anxious that the EC take a lead ahead of the crucial United Nations conference in November to consider conclusions of the Inter Governmental Panel on Climatic Change.

Mr Patten also appeared to support the notion that the EC should take a lead in global negotiations on greenhouse gases.

However he said: "It doesn't make much sense to have a Community aspiration without any means to achieve it. We think that the difference [between individual countries] should be recognised by everyone, but that everyone should sign up to a public strategy."

He also cautioned that the accumulation of scientific evidence in the years ahead could warrant stronger measures that would have a disruptive effect on the economy and have unpleasant consequences.

The Spanish Government has made clear that it does not want to sign up to any target date and other Mediterranean countries are demanding a later deadline for themselves to be written into the formal text. But much of the attention will be focused on the UK, which maintains that 2005 is the earliest feasible date for such a commitment.

Britain's position has come in for considerable criticism, not least from Mr Carlo Ripa di Meana, the EC's Environment Commissioner.

Mr Bryan Gould, Labour Party spokesman on the environment, said the Government's "far-fetched" projections for future carbon dioxide emissions were far greater than any other serious study. Thus the pledge to cut projected emissions by 30 per cent amounted to no more than a "do-nothing" policy."

In contrast to the Government's position, a Labour government would be working with its European colleagues, not "dragging its feet."

Mr Gould suggested that a "leaked" document purporting to be an account of a conversation between a senior Department of Energy official and representatives of the Confederation of British Industry, showed that the CBI agreed with the Labour Party's view that the government projections were exaggerated.

However, the CBI said later that it differed with the Government only on the contribution of various sources of emission.

"The CBI's own discussions have arrived at much the same conclusion as the Government's on the overall level of future emissions," it said.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	22	72	Dallas †	S	24	75	Madeira	S	22	72	Prague	F	18	64
Algiers	F	22	71	Dublin	F	13	55	Madrid	S	22	72	Reykjavik	F	8	46
Amsterdam	F	17	63	Dubrovnik	S	23	73	Majorca	F	21	70	Rhodes	S	25	77
Athens	C	23	73	Edinburgh	R	12	54	Malaga	S	24	75	Rio de Janeiro		–	–
Bahrain	S	35	95	Faro	S	24	75	Malta	F	25	77	Rome	F	23	73
Barcelona	S	20	68	Florence	R	18	64	Manchester	R	13	55	Salzburg	C	13	55
Belfast	R	12	54	Frankfurt	C	18	64	Melbourne	S	13	55	S'Francisco †	Dr	14	57
Belgrade	S	26	79	Geneva	C	15	59	Mexico City		–	–	Santiago		–	–
Berlin	F	19	66	Gibraltar	S	25	77	Miami †	F	28	82	Seoul	S	28	82
Biarritz	C	17	63	Glasgow	R	11	52	Milan	F	19	66	Singapore	F	30	86
Birmingham	R	14	57	Guernsey	R	12	54	Montreal †	C	10	50	Stockholm	C	15	59
Blackpool	R	13	55	Helsinki	S	17	63	Moscow	C	15	59	Strasbourg	C	16	61
Bombay	F	31	88	Hong Kong	C	27	81	Munich	R	12	54	Sydney	C	18	64
Bordeaux	C	19	66	Innsbruck	C	15	59	Nairobi		–	–	Tangier	S	23	73
Boulogne	C	14	57	Inverness	R	12	54	Naples	C	26	79	Tel Aviv	S	27	81
Bristol	R	12	54	Isle of Man	R	11	52	Nassau		–	–	Tenerife	F	22	72
Brussels	F	17	63	Istanbul	S	24	75	Newcastle	C	14	57	Tokyo	S	26	79
Buenos Aires		–	–	Jersey	R	13	55	New Delhi	S	39	102	Toronto †	C	12	54
Budapest	C	20	68	Johannesburg	S	16	61	New York †	S	17	63	Tunis	F	30	86
Cairo	S	31	88	Las Palmas	C	23	73	Nice	S	22	72	Valencia	F	24	75
Cape Town	S	15	59	Leeds	C	15	59	Nicosia	S	27	81	Venice	C	19	66
Cardiff	R	12	54	Lisbon	S	22	72	Oporto	S	20	68	Vienna	C	17	63
Chicago †	S	17	63	Locarno	C	18	64	Oslo	F	21	70	Warsaw	F	19	66
Cologne	F	17	63	London	C	14	57	Paris	F	17	63	Washington †	F	16	61
Copenhagen	F	19	66	Los Angeles †	C	17	63	Peking		–	–	Wellington	R	9	48
Corfu	F	26	79	Luxembourg	C	15	59	Perth	S	18	64	Zurich	C	15	59

C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder.
† Noon GMT temperatures

W German 4% growth

Continued from page 1

The Institute expects a fall of between DM20bn and DM25bn in the trade surplus by the middle of next year.

The motors of growth in the first quarter were investment, which increased over 11 per cent, and private consumption which rose 4 per cent. Private consumption was boosted by tax cuts and by the inflow last year of more than 700,000 refugees from East Germany and Eastern Europe.

Strong growth is continuing to reduce unemployment which fell in May to 1.82m or 7 per cent. Mr Heinrich Franke, president of the Federal Labour Office, said that job creation was comparable to the "economic miracle" of the 1950s.

One sign that the first quarter growth may not be sustainable is that industrial production fell by 2 per cent in April, after the March figure was revised upwards. However analysts said this was largely the effect of the unseasonal strength in building activity in the first quarter. They expect the second quarter of 1990 to be flat rather then negative.

Mr Gerhard Pohl, the East German Economics Minister, yesterday predicted that 500,000 new jobs would be created this year in small and medium-sized businesses.

THE LEX COLUMN

The brighter side of cheaper oil

The plunge in the crude oil price is assuming formidable proportions. Having touched $23 a barrel earlier in the year, spot Brent crude was at one time yesterday trading close to $14.50. Opec members are once more bickering amongst themselves. The Saudis have apparently lost patience with the inability of other countries to meet production targets and are threatening to teach the others a lesson by driving the price down further: overproduction is already such that US stocks are now at an eight year record.

Though there is a widespread belief that the long-term direction for the oil price is upwards, the current slump seems good news for economic policy makers. In the UK, in particular, if the big oil companies can be persuaded to cut petrol prices the government could yet prevent inflation from topping 10 per cent. The problem, as the winter's price spike showed, is that the market is volatile enough for a sudden cold snap in the US, or a heightening of political instability in the Middle East or Soviet Union, to drive the price back up again. But if sustained on a worldwide basis, depressed oil prices mean lower inflation and higher economic growth – good news for bond and equity prices respectively.

GPA Group

How much longer can GPA, the high-flying Irish aircraft financing group, defy gravity? The question is of more than passing interest. GPA is now a major financial institution in its own right, valued at $4bn plus; and, judging by the growing number of distinguished names on its letter head, it is only a matter of time before it seeks a stock market listing.

Over the last couple of years, its revenues have trebled to $2bn, while its after-tax profits last rose 59 per cent to $242m. Based on the last private transaction, its shares are selling at 15½ times earnings and yield less than 2 per cent. A typical big US or UK bank is lucky to sell on six times earnings and yields three times as much. However, the bulls argue that this is no ordinary financial institution and that it looks positively cheap when compared with the heady multiple of Boeing.

The force of the latter comparison is that both companies are benefiting greatly from the continued ordering frenzy for new aircraft and have a vested interest in prolonging it. GPA, which makes a third of its profits from aircraft sales, increased its leased fleet by 40 per cent to 240 aircraft last year and has orders and options for another 700. This is all very well when aircraft values are rising; but the question arises of what happens if the 6 per cent per annum industry growth forecasts turn out to be wrong. To date, GPA has been particularly successful in laying off the risk from its own modest balance sheet. But in an industry where a new jumbo jet can cost $120m, there must be limits to how far it could insulate itself were there ever to be a sharp fall in aircraft values. Talk of GPA being a recession-proof stock is bunkum.

Thames Water

It looks as if the first annual reporting season of the 10 privatised UK water utilities may not be such a dull affair after all. Yesterday Thames Water, the biggest of the bunch, declared a dividend 3.6 per cent larger than promised. It may not sound a lot, but it underlines Thames's ambition to be the undisputed market leader. Perhaps one of its more ambitious rivals will trump it by actually making a dividend forecast.

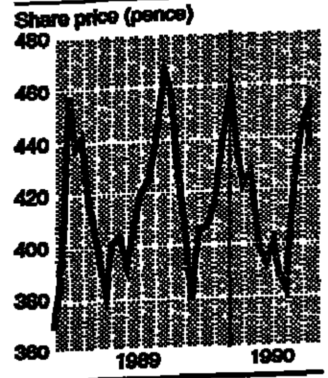
In an industry where the annual revenues can be forecast to the nearest £5m, this would not seem a particularly outrageous thing to do. It is going to be a couple of years before anything sensible can be said about the success of individual companies' capital spending plans. Meanwhile, they have nothing to be lose by trying to improve their relatively low stock market rating.

Reed

Reed International's full year figures round off the company's period of probation for its conversion into a pure publisher. At the outset, the promise was of two years flat earnings to be followed by sharp recovery. In the event, 5 per cent growth in earnings per share in year one has been followed by 11 per cent in year two. But just as the transition was less flat than promised, so the recovery may prove less exciting.

Reed International

Share price (pence)



The underlying position is obscured by last year's exceptional profits, which could result in this year's stated earnings being up by no more than 5 per cent. But organic growth should be more like last year's 9 per cent, with maybe 5 per cent on top from the full year inclusion of acquisitions.

That ought to justify a premium to the market rating. Whether Reed will get it is another matter. Some 44 per cent of revenues come directly from advertising, which the market remains convinced is in the grip of cyclical depression. At 435p the shares are on a prospective 10¼ times, having moved sideways relative to the market for the past year. Despite the company's evident qualities, they may remain unexciting until there is the clearer prospect of a consumer upturn.

Body Shop

Yesterday's results may mark a turning point in the history of Body Shop. Pre-tax profits of £14.5m were in line with expectations, but only after these were downgraded during the year. And by the end of the year, like-for-like volumes in the UK were flat. That is a remarkable change for a company whose trademark has been exceptional growth.

The bulls justify the still stratospheric prospective rating of 30 plus by the potential for overseas growth. Other countries, even the non-environmentally minded Italians, seem to be enthusiastically taking to the Body Shop formula. But it is quite a step for the current management to achieve major multinational retail status. Costs can rise rapidly, as shown by the leap to 100 per cent plus gearing which necessitated yesterday's £29m placing and offer.

The shares, although down by almost a third since their peak early this year, are still sought after – they closed unchanged despite the placing. But though the company's record has certainly borne out its premium rating in the past, the risks inherent in multinational expansion suggest the current premium is too high.

FINANCIAL TIMES

COMPANIES & MARKETS

 Thursday June 7 1990

INSIDE

A final twist of the knife

Bernard Arnault yesterday completed his victory in the battle for control of LVMH, France's leading drinks and luxury goods conglomerate, by evicting his last remaining opponents from the board in a bitter and protracted shareholders' meeting. Despite a calm beginning, the meeting was characterised by flashes of the venom which has marked the 18 month struggle. George Graham reports. **Page 18**

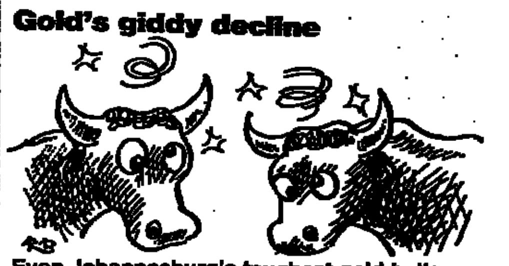
Bread upon the water

Thames Water is aiming to please its new shareholders with a dividend payment bigger than that forecast in its flotation prospectus last autumn. Yesterday, Thames recommended 10.07p per share against an expected 9.72p. This comes on pre-tax profits slightly more than 5 per cent higher than those forecast. Roy Watts, chairman, said Thames' payment reflected the company's desire to "provide shareholders with a growing return on their investment." **Page 24**

American Airlines pulls out of Argentine race

American Airlines has withdrawn from the race to buy Argentina's state-owned airline, Aerolineas Argentinas. However, the Argentine Government announced yesterday that KLM, the Dutch airline, had stepped into the ring with the Brazilian operator Varig and the US bank Chase Manhattan. Also yesterday, Swissair, the Swiss national airline, said its results in April were "below expectations," and that it had initiated an immediate hiring freeze to cut costs. **Pages 18, 20**

Gold's giddy decline



Even Johannesburg's toughest gold bulls are looking decidedly groggy at the continuing decline of the JSE All Gold Index. On Monday, the index shed another 93 points, or nearly 6 per cent. In spite of a small recovery since then, the index has fallen about 33 per cent since the beginning of February — and there is widespread view that it is still overvalued. Philip Gawith reports. **Page 40**

Singapore groups buy into HK publisher

Two Singapore groups are to take a 14 per cent stake in South China Morning Post Publishers, the profitable Hong Kong newspaper company owned by Rupert Murdoch's News Corporation. The deal with Singapore Press Holdings and United Overseas Bank forms part of a share flotation of 49 per cent of Post Publishers. This should yield more than HK$2bn (US$257m) for Mr Murdoch's heavily indebted empire. **Page 19**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Beiersdorf	558	+	13	Copitl	449	+	13
Brown Boveri	815	+	45	La Henin	673	+	13
Draegerwerk	350	+	10	Taittinger	5990	+	190
Falls				**Falls**			
Daimler-Benz	815	−	19	Colimeg	355	−	5
Hochtief	1352	−	43	Dumez SA	628	−	7
Rosenthal	368	−	11.5	Redoute	3400	−	115

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
First Bancorp	45	+	1⅛	Aichi Denki	1130	+	100
IBM	121⅝	+	⅞	Honshu Paper	2750	+	250
Falls				Mory Ind.	1250	+	130
NCH	58¾	−	4½	**Falls**			
Primerica	33½	−	⅞	Nippon Valqua	1420	−	90
Texaco	58¼	−	1⅛	Riken Elec Wire	1460	−	90
Upjohn	41¾	−	1	Takuma	1040	−	90

New York prices as at 12.30pm.

LONDON (Pence)							
Rises				Bass	1070	−	30
ASDA	113½	+	4½	Brit. Land	333	−	5
Dan Corp.	1150	+	250	Brit. Pet.	319	−	7
Electro Comp.	215	+	9	Greycoat	399	−	17
Gabicci	53	+	5	Guinness	778	−	8
Halcdown	265	+	6	Land Sec.	501	−	8
Int. Colour	119	+	30	Lloyds	297	−	12
Powell Duff.	357	+	16	Nat West	359	−	9
RHM	360	+	5	Racal Tele.	374	−	12
STC	275	+	9	Reed Int.	435	−	15
Sturge	253	+	14	RMC	691	−	14
Tomkins	294	+	6	Shell Trans.	456	−	10
Falls				Waterman Ptnrs	105	−	45
BAA	422	−	7				

ABB plans sales drive in eastern Europe

By David Thomas in Zurich

ASEA BROWN BOVERI, the Swedish-Swiss electrical engineering group, is planning to have annual sales of $1.5bn in eastern Europe by the mid-1990s, Mr Percy Barnevik, ABB's chief executive, said yesterday.

"It will be a fairly big jump in turnover, but it will not change the total picture (of ABB)," he said. Mr Barnevik is one of the first heads of a leading European company to announce sales targets for the newly liberalising eastern bloc.

East European sales of $1.5bn would account for 4 per cent of ABB's expected turnover in 1995. The sales figures exclude East Germany, but include the Soviet Union.

At present, ABB has annual sales of $200m-$300m to eastern Europe, equivalent to about 1 per cent of its turnover.

Mr Barnevik explained that nearly all the planned increase in the group's east European sales would come from acquisitions and joint ventures within the countries. "We will have licence agreements, minority stakes and many acquisitions," he said.

ABB does not expect a big increase in foreign imports into eastern Europe, because the countries there lacked the finance to pay for them. At present, foreign imports represent about 4 per cent of the total annual spending of almost $44bn by eastern European countries on equipment such as power generation and transmission, ABB's core products.

Mr Barnevik said ABB would want to establish operations throughout eastern Europe and the Soviet Union.

The only deal it has completed there so far is the acquisition of a majority holding in Zamech, Poland's biggest steam turbine manufacturer.

The laws governing joint ventures in Czechoslovakia and Hungary still need to be clarified, Mr Barnevik said. He also explained that one of the main constraints on involvement in east Europe was management resources, since most companies there needed help with training their managers as much as capital.

B&C faces delay over asset sales

By Richard Waters in London

PROCEEDS from the expected sale of parts of British & Commonwealth, the failed financial services group, had fallen sharply by yesterday evening as deals failed to materialise.

This followed the announcement earlier in the day that Stock Beech Securities, the Bristol-based, market-making arm of B&C's Stock Group subsidiary, had ceased trading.

The sale of several parts of B&C was imminent before the group went into administration on Sunday, but is thought to have been held up by attempts from purchasers to negotiate lower prices following the group's insolvency.

One adviser negotiating the sale of part of the group, who refused to be named, said: "Something will have to happen very soon. The clients are walking out of the door as we speak — and for many of these businesses, that is the only asset that they have."

He said that the value of the business he was trying to sell had fallen because of the group's insolvency, but declined to say by how much.

Sales that have been held up include those of Stock Group, a collection of private client stockbroking and investment advisory firms which is thought to have £4bn ($6.7bn) of clients' money under management, and the insurance broking operations of Abaco.

Stock Group announced on Monday that it expected to have a sale agreed by the following day. By yesterday evening, however, the sale had still not been clinched.

The Securities Association, the UK regulator of the securities industry, has been concerned by the failure of Stock Group to secure its future and by the potential damage to investors caused by the delay. However, it said yesterday that none of its rules had been broken and that the group was continuing to trade normally.

US raging bull charges at European glass

William Dawkins on how Guardian has shaken up a traditional industry

GUARDIAN Industries, the privately-owned US glassmaker, caused some distress to Europe's established producers when it put up a big greenfield plant in Luxembourg nine years ago.

They were right to be anxious. Since then, Guardian has come from nowhere to grab 9 per cent of western Europe's flat glass-making capacity; and it is on the offensive again with an aggressive plant-opening programme in southern Europe and Hungary.

Guardian is not the only company to be opening new plant in the glass industry's battle for dominance of a market which some fear might be entering a slowdown in growth. But its strategy of specialising in a limited range of glass sheet in high volumes is radically different from the European industry's traditional giants — and they do not like it.

France's Saint-Gobain and, to a lesser extent, Pilkington of the UK have been busy buying glass fabricators and distributors, in search of higher margins and more control over marketing.

Guardian has done precisely the opposite, concentrating instead on increasing its output and avoiding downstream integration. This irritates the bigger players, which fear that Guardian might be creating an overcapacity which will cripple prices when the next downturn comes.

"We exist because there is a shortage of good quality suppliers who don't compete against their own customers," says Jim Moore, the burly 38-year-old managing director of Guardian Europe. "So long as that holds true, we will continue to build plants as quickly as we can sell them out."

Guardian's first European float line was set up in 1981. It was a sign — among others — that the orderly relationship which had developed between the big European producers, mainly thanks to their reliance on Pilkington's float glass technology, would never be the same.

Now the order of play has been shaken up again. Saint-Gobain last month purchased Solaglas, one of Britain's two largest fabricators and distributors of building glass. The deal threw into question the unspoken agreement between the French company and Pilkington, under which they tended to leave each other alone on their home ground.

No sooner was the Solaglas deal complete than Guardian came in with a new twist. It started making inquiries about investment aid for a fifth European float line, possibly near Nimes in southern France, to add to the two it now has in Luxembourg, the third it bought and modernised in Spain five years ago and the fourth it will open in Hungary next year.

Arrogantly perhaps, Mr Moore believes Saint-Gobain bought Solaglas to give it a UK market that it could not easily obtain alone. "They could not get in, so they just went ahead and bought a slice of the market," he says.

European buccaneers: Guardian Europe's managing director James Moore (left) and David Ford, sales director

The French company rejects this analysis.

Even so, Guardian's plans to boost its capacity have created mild alarm at Saint-Gobain. Mr Jean-Louis Beffa, the chairman, has pleaded with Mr Roger Fauroux, French industry minister, not to allow the US newcomer significantly more investment aid than Saint-Gobain received for its last new French plant. Mr Fauroux, a former Saint-Gobain chairman, is the kind of man who will avoid opening himself to charges of doling out favourable treatment to his old company.

Guardian's competitors point out that France would be the best strategic choice by far. However, the US company continues to argue that it could just as well go to Spain or Italy, presumably a bargaining ploy to get the best aid offer. The loss of the $100m project and its 250 jobs would be a blow to the 15 per cent jobless of Nimes, though it is likely to make little difference to European competition.

Guardian's competitors might ask themselves how this formerly obscure company can have become such an irksome European presence in less than a decade. Its $1bn world turnover still makes Guardian minute compared to Saint-Gobain, Europe's number one, with sales of FFr 66bn ($11.6bn) last year.

Dubbed "the raging bull of glassmaking" by a US business magazine, Guardian is the creation of William Davidson. This taciturn basketball fiend was called in to save the family's ailing windscreen businesses in the late 1950s. He realised that too much of the Detroit-based company's fortunes rested on the prices charged by a small number of glassmaking suppliers.

By the late 1970s he was able to respond by opening his own glass plant in the US, using Pilkington's float process under license terms which caused a long legal row between Guardian and the UK company.

Mr Davidson saw that control of the European market also rested in surprisingly few hands. That is why he entered Luxembourg, with the help of a local glass distributor and close personal friend, Mr Ferdinand Kohn. Today, nearly a third of Guardian's world sales are in Europe, all in flat building glass.

One look at Guardian's high-security Luxembourg plant, a glass box standing above the scrub in an otherwise featureless plain, shows that it has all the advantages of a newcomer to a traditional industry. Whatever the terms under which it acquired Pilkington's technology, it could move into modern glass-making without the costly restructuring needed by older companies.

Guardian denies charges of undercutting prices; though it claims that its low costs allow operating profit margins three to four times the European glass-making average.

The offices of the eight senior executives in charge of the European operation are just yards from the computerised sales room and from the float line itself.

Delivery trucks from the company's fleet of 100 vehicles sit on an enormous tarmac apron at the back — an unusual sight in an industry where most glassmakers subcontract deliveries.

Decisions are made fast and at a surprisingly junior level. This is made possible by just five levels of hierarchy from the shop-floor to the top man himself. In theory, a junior salesman has the power to change an entire plant's production schedule, in response to unusual orders. In short, the place has the slightly buccaneering feel of a successful small company. "We try to be big and think small at the same time," says Mr Moore.

It has had to reorganise an existing European plant just once — Vidriedos de Llodio in northern Spain. But Guardian claims to have brought that to profit, without forced redundancies, within two years.

Guardian's relations with its customers, mainly small family-owned construction and glass fabrication businesses, are also unusual. The US group will frequently angle for glass supply contracts, the fabrication of which it will then let out to the best bidder among its customers.

A recent example is the glass skin for Frankfurt's new Messe tower, Europe's tallest building, which Guardian let to one of its 300 or so small West German clients. "The architects on the building just couldn't understand why we weren't doing the fabrication ourselves," says Mr David Ford, Guardian Europe's sales director.

The obvious risk to Guardian's approach is that the bigger European competitors will continue their present strategy of buying glass fabricators until the independent market is too small to sustain the US company profitably.

But, says Mr Moore: "There is a limit to the number of fabricators Saint-Gobain can buy without running into the cartel authorities. We think there will always be an independent customer base."

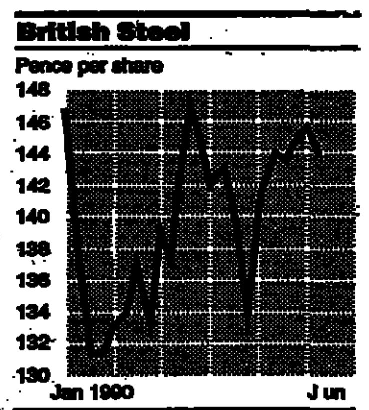
But what would happen to Guardian in a downturn? It was profitable in the last glass industry recession, in 1983 when European prices were a quarter of today's levels. One of its US competitors, PPG Industries, even maintained later that Guardian was the only glassmaker that could make money in those conditions. "Nothing has changed," says Mr Moore.

British Steel close to clinching Klöckner-Mannstädt purchase

By Charles Leadbeater, Industrial Editor

BRITISH STEEL's long-planned move into the West German market through the acquisition of a subsidiary of Klöckner-Werke is expected to be announced next month.

Sir Robert Scholey, British Steel's chairman said this week he was very hopeful that the company's negotiations to purchase the Klöckner-Mannstädt steel works at Trisdorf from the West German steel, plastics and machinery group would be concluded soon. The company has also been holding tentative talks with a number of East European producers to explore possible areas of collaboration.



The Klöckner-Mannstädt purchase will be the first significant acquisition British Steel has made to expand its production base into Continental Europe. Last year its plans to acquire Klöckner & Co, the steel trader, were thwarted when the company's then owner Deutsche Bank decided to sell it to Viag, the West German energy and chemicals company. Klöckner & Co is a different company from Klöckner-Werke.

On Tuesday Klöckner-Werke said it was very close to agreeing the Klöckner-Mannstädt sale for about £105m. The purchase will give British Steel an important foothold in West Germany as it prepares for reunification with East Germany. The modernisation of East German industry is expected to boost steel demand.

The acquisition of Klöckner-Mannstädt, which manufactures structural steels, will further British Steel's ambitions for a substantial increase in its sales to the Continental construction industry. On the Continent structural steel is used in only 20 per cent of buildings.

The expansion into European will be a test of British Steel's resources and management. Sir Robert said the company would employ local West German managers to run the plant.

However, news of the imminent European investment is likely to provoke further criticism from Scottish politicians and unions of British Steel's recent announcement that it will next year close the Ravenscraig hot strip rolling mill, which employs 770 people.

Storebrand and Uni agree merger

By Karen Fossli in Oslo

STOREBRAND and Uni Forsikring, two of Norway's top three insurance companies, plan to merge to form Scandinavia's second-biggest insurer and the world's 12th largest in the oil and marine sector.

The companies said yesterday they had signed a letter of intent to form Uni Storebrand, which will be the biggest insurer in the region, after Skandia of Sweden, in terms of gross annual premiums. The new group will have combined assets of NKr80bn ($12.3bn).

The company will have 4,900 employees and estimated annual turnover of NKr25bn. This will make it Norway's third-largest company after Norsk Hydro, the country's largest publicly-quoted company, and Statoil, the state-owned oil company.

"The plan to merge gives a Norwegian response to increased international competition both at home and abroad — an insurance company with striking power and under Norwegian control," the new company's leaders said in a joint statement.

Mr Arne Skauge, Norway's finance minister, said he was "positive" towards the deal, which strengthens the company's competitiveness domestically and internationally.

The companies said that Storebrand was Norway's leading property and casualty insurance company and Uni was the country's leading life assurance firm. "Uni and Storebrand complement each other in several of the main business areas," the statement added.

Mr Jan Erik Langangen, Storebrand's president and chief executive, will assume the same position for the new company. Mr Thorleif Borge, Uni's president and chief executive, is to become Uni Storebrand's full-time chairman.

The merger requires that Uni, a mutual company, be "demutualised" and restructured into a holding company. The deal gives shareholders in Storebrand 60 per cent of the new company and Uni shareholders the balance.

Arnault evicts opponents to take control of LVMH

By George Graham in Paris

MR Bernard Arnault yesterday completed his victory in the battle for control of LVMH Moët Hennessy Louis Vuitton, France's drinks and luxury goods conglomerate, by evicting his last remaining opponents from the board in a bitter and protracted shareholders' meeting.

The meeting began calmly: Mr Arnault and Mr Henry Racamier, the former head of the Louis Vuitton luggage subsidiary and Mr Arnault's main opponent, appeared to have sheathed their hatchets, if not buried them.

This followed the court judgment which gave victory to Mr Arnault six weeks ago by refusing to annul a block of warrants which formed the backbone of the 46 per cent stake in LVMH he holds with Guinness, the drinks group.

Under the civilised champagne and haute couture exterior, however, the venom has not been far from the surface in the 18-month battle for LVMH. The company had even arranged for the Red Cross to attend.

"A lot of the shareholders are elderly, and the emotion can be too much at this kind of meeting," commented a Red Cross doctor.

The venom emerged when Mr Jean Couten, representing shareholders from the Moët, Hennessy, Chandon and Mercier families, stood up to propose an emergency resolution sacking Mr André Battestini, the former banker who advises Mr Racamier, and three Vuitton representatives from the board.

Mr Battestini protested at this "underhand trick." Those who should resign, he said, were the two representatives of Banque Lazard, which had been condemned by the court for its conduct of the contested warrants issue.

Mr Racamier, flanked by his lawyer and three Vuitton plant managers, also condemned this "utterly lamentable spectacle," which he described as "a machination orchestrated by Mr Arnault."

The votes were carried by a 70 per cent majority, although a few members of the Moët and Hennessy families joined the Vuittons in voting against.

In the front row, but aloof from the proceedings, sat Mr Anthony Tennant, chairman of Guinness and Mr Arnault's ally, somewhat irritated at having to miss the Epsom Derby. "I am just reading the FT. That is the best thing that you can do during this meeting," he said.

Mr Tennant could take some comfort from Mr Arnault's forecast that despite adverse factors, LVMH's net profits would rise this year by about 15 per cent from last year's FFr2.9bn ($509m).

Mr Arnault said profits would have grown by another 20 per cent had it not been for currency movements, as the falling yen and dollar have affected LVMH's sales, especially in the crucial Far Eastern market.

He said the impact of LVMH's FFr8bn tender purchase of Guinness shares now under way – doubling its stake to the same 24 per cent level as Guinness's in LVMH – would be neutral.

Far Eastern earnings improve

LVMH said yesterday that it had renegotiated the controversial Far Eastern distribution contracts of its luggage subsidiary. Louis Vuitton, improving its earnings from this crucial region by FFr30m to FFr40m ($7m) a year after tax, writes George Graham.

Mr Arnault had filed a suit last year demanding the cancellation of the contracts between Louis Vuitton and its Far Eastern distributor, Bluebell Asia, which gave Mr Michel Goemans, Bluebell's owner, total management control over Vuitton's activities in the region.

Mr Arnault also contested Mr Goemans' right to sell his 27 per cent stake in Louis Vuitton Hong Kong (LV-HK) to Vuitton, when he chose, for 11 times average net profits over the previous three years – terms that would currently value it at over FFr1.15bn.

The court rejected the suit in April, but after his victory over Vuitton's Mr Racamier in the battle for control of LVMH, Mr Arnault opened negotiations with Mr Goemans.

The contract provides for Mr Goemans to sell a further 7 per cent of LV-HK to Vuitton on the basis of book value – estimated to be around FFr1m.

Christiania's profits remain steady

By Karen Fossli in Oslo

CHRISTIANIA, Norway's second largest bank, yesterday announced net profits of NKr326m ($50m) for the first four months of this year, roughly the same as a year earlier.

The bank, however, achieved a reduction in credit losses from NKr510m last year to NKr356m, or 0.75 per cent of average total assets, in this year's period.

"Bankruptcy rates, for the first time since 1986, are beginning to fall," said Mr Ole Gladhaug, a senior bank executive.

Group operating profit, before taxes and credit losses, dropped to NKr728m from NKr955m largely because of a reduction in gross income. This resulted from lower returns on bonds because of higher interest rates.

During the period, Christiania realised capital gains of NKr178m on the sales of equities – or NKr216m less than in the same period last year – while realised losses on bonds amounted to NKr35m.

Tamoil waits for ruling on Gatoil deal

By William Dullforce in Geneva

TAMOIL (Suisse), a Libyan-controlled consortium, said yesterday it was "waiting with serenity" for the final decision of the Geneva court which blocked its SFr201.25m ($140m) purchase of Gatoil, Switzerland's fourth largest oil company.

The court move followed a protest from joint rival bidders Elf-Aquitaine of France and Agip of Italy.

Sasea, the Swiss investment company which is the minority shareholder in Tamoil, said that, logically, the court would have to confirm the decision, announced last Friday, by Gatoil's legally appointed administrators to accept Tamoil's offer.

Sasea said it expected the court's decision within 14 days.

The Geneva court blocked the deal within hours of its announcement after the Elf-Agip consortium complained that irregularities had occurred under the bidding rules laid down by the administrators. Elf-Agip had originally offered SFr165m but later said it would top by SFr1m any rival offer up to a limit of SFr201m.

Gatoil's last balance sheet showed outstanding debts of SFr600m. Its troubles became untenable after Mr Khalil Ghattas, its Lebanese-born owner, was arrested in March last year and extradited five months later to West Germany.

He is being held there on charges of improper business practices laid by Klöckner, a German company, which reported losses of DM661m on oil trading in 1988.

Gatoil owns Switzerland's second refinery, controls or has supply contracts with some 300 petrol stations in the Confederation and reported a turnover of SFr814m in 1987-88.

Oilinvest, wholly owned by the state of Libya, owns 65 per cent of Tamoil (Suisse) with Sasea holding the remaining 35 per cent.

In their bid for Gatoil they are associated with Migrol, the oil and petrol distributing arm of Migros, Switzerland's big retail co-operative.

Body Shop lifts profits by 29.2% and issues shares

By Maggie Urry in London

BODY SHOP International, the UK cosmetics and toiletries retailer which campaigns on environmental issues, yesterday announced a 29.2 per cent increase in pre-tax profits for the year to the end of February, and said it was placing 7.1m new shares to raise £29.6m ($49m) net of expenses.

Shareholders will be offered a clawback of the placing on the basis of one share for every 12 held, at a price of 425p. However, company founders Mr Gordon Roddick, chairman, and his wife Mrs Anita Roddick, managing director, will not be taking up their entitlement and their family holding will fall by about 2¼ percentage points to about 30 per cent.

The issue needs the approval of shareholders at a meeting to be held on July 3. There will be a one-for-one scrip issue.

The shares were unchanged at 450p yesterday but have fallen from a high of 651p early this year as brokers' profit forecasts were downgraded and Body Shop was caught up in fears for specialist retailers as others suffered losses.

Even after the price fall, the shares stand on an historic p/e of 45, as earnings per share rose last year by 35.1 per cent to 10p. The annual dividend is up 35 per cent to 1.82p for the year, with a 1p final payment.

Mr Roddick said the placing would help finance a three-year £53m capital expenditure programme.

The group's borrowings had risen to £31.5m by mid-May which compares with shareholders' funds at the year-end of £26m. The placing will cut gearing to less than 10 per cent by the next financial year-end, Mr Roddick said.

Group sales rose by 52.5 per cent to £84.5m. In the UK, sales rose 37.4 per cent to £56.9m with like-for-like volume growth around 4 per cent during the year. This has tailed off since Christmas, Mr Roddick said, and in the UK volume is running at between even and up 1 per cent.

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Daimler defies state over Enasa

ENASA, the Spanish truck company, will not be split into two companies to placate West Germany's Federal Cartel Office, the top finance officer at Daimler Benz said yesterday, Agencies report.

Mr Gerard Liener said that dividing the Spanish truckmaker into two units would seal Enasa's fate as a company.

He added that such a move would "contradict the goals of the Spanish Government" and go against the terms of a takeover agreement hammered out last year by Enasa, Daimler Benz and Man.

It is understood that West Germany's anti-trust authority objects to the co-operation of Man and Daimler.

The European Commission recently suggested dividing Enasa into two companies after West Germany's cartel office said it would block a joint takeover of the Spanish concern by Daimler Benz and Man.

In November, Daimler Benz agreed to acquire 20 per cent of Enasa's shares while Man would take a 60 per cent stake. The remaining 20 per cent is to stay in the hands of Spain's state industrial holding company, Instituto Nacional de Industria (INI).

Under terms of the accord, INI would acquire 8 per cent of Man, making it the third largest single investor in the West German truckmaker.

While the two companies expect to split Enasa's product range internally, the West German companies deliberately designed the takeover as a joint project.

INI said it was discussing alternatives to the takeover. "Negotiations are continuing with a view to presenting new proposals in time to complete the deal," it said.

INI said it had not formally taken any position on the EC proposals, but industry sources said the institute was likely to propose a solution whereby Daimler ceded part of its proposed stake to Man.

Drexel executives charged

A SPANISH COURT has brought criminal charges against three executives at the Spanish unit of the failed Drexel Burnham Lambert, AP-DJ reports.

Mr Eric Darras, Drexel España's general director, Mr Jaime Ignacio Asensio Ochoa, subdirector, and Mr Jose Manuel Abaroa, equities chief, are accused of manufacturing 400 false applications during the partial privatisation of the state-controlled Repsol oil group in April 1989.

■ Hafnia Holding, the Danish insurer, said it was not involved in merger talks with its rival Baltica Holding, Reuter reports.

Hafnia shares earlier rose sharply on market talk, also denied by Baltica, that the two leading Danish insurers were discussing a merger. The talk apparently stemmed from Hafnia's announcement last Friday that it had a stake of at least 10 per cent in Baltica Holding.

■ COMPAGNIE Industriali Riunite (CIR), controlled by Mr Carlo De Benedetti, lifted 1989 consolidated net profit to L181.4bn ($146m) from L146.5bn. Shareholdings were valued at L4,800bn against L3,400bn. Net debt stood at L778.6bn at year end, Reuter reports.

CIR is the controlling shareholder of Olivetti with a 40.5 per cent stake.

Earnings 25% up at E. Merck

E. MERCK, the West German pharmaceutical group, said it raised net profit by 25 per cent in 1989 to DM203.7m ($122m) from DM163.1m, Reuter reports.

Mr Hans Joachim Langmann, chairman, said different consolidation meant the results were not comparable. Turnover rose 8.7 per cent to DM3.48bn, from DM3.20bn the previous year. Fixed asset investments of DM269m were little changed from 1988.

Mr Langmann said first-quarter 1990 results were encouraging. Last month E. Merck said total group profit rose 16 per cent in the first quarter while sales rose 6 per cent.

Benedetti agreement on La Générale stake 'near'

MR CARLO De Benedetti, the Italian financier, is expected to reach an agreement on unwinding his 15 per cent shareholding in Société Générale de Belgique within the next two weeks.

This was said yesterday by sources familiar with the company, AP-DJ reports.

The sources said negotiations over shedding the La Générale shareholding "were underway." They added that an announcement could be expected "within 10 to 15 days."

Financial market sources in Milan had suggested that an announcement could be made as early as this weekend. However, the sources close to the talks said that would be "premature."

The market sources speculated that Cerus, De Benedetti's French holding company, which owns the La Générale shareholding, was considering unwinding the stake through a secondary share placement in Belgium.

The advantage of a secondary placement would be to increase the free float of La Générale shares.

De Benedetti acquired the stake in 1987 as part of a failed bid to take control of Belgium's largest company.

Inquiry to study continued aid for S African mine

By Philip Gawith in Johannesburg

THE FATE of the stricken East Rand Proprietary Mines (ERPM) remains in the balance following a South African government decision to appoint a commission of inquiry to investigate the viability of continued support of the mine.

Government procrastination says something for the political sensitivity of the issue. ERPM is in Boksburg, a stronghold of the ultra-right Conservative Party (CP), and closure of the mine could involve 10,000 job losses, providing political capital for the CP because of the downturn it would cause in the local economy.

The mine has been receiving government aid to avoid closure. This has taken the form of a government guaranteed loan of R200m ($75m), subsidisation of interest on this loan to a level of between 7 per cent and 17 per cent, aid for water pumping and a government guarantee for deferred interest payments up to a maximum R67m.

Without continued government aid the mine would probably go into liquidation. Total borrowings at the end of December were R313.3m, with surface assets (dumps and freehold land) thought to be worth about R100m to R120m.

The mine – which has not paid tax since 1980 or dividends since 1981 – made a loss of R20.2m during the March quarter. That was with an average rand gold price of R1,047 an ounce for the quarter. Currently the price is closer to R955 an oz. Production costs in the March quarter were R1,320 an oz.

The only hope for the mine lies in the successful development of the Far East vertical shaft, thought to have a life of about 25 years. There has been criticism of Rand Mines, which manages ERPM and has a 29.5 per cent equity stake, for trying to keep older parts of the mine open rather than concentrating its efforts on the development. The commission, to be chaired by Mr Justice Melamet, is empowered among other things to investigate the management of ERPM.

First production from the mine was in 1908, making it one of the six oldest gold mines in the country. Apart from the job losses and the psychological blow of closure, other considerations are the loss of foreign exchange earnings (the mine earned $96m in 1989) and that gold reserves would be locked in the ground.

Foreign investors, particularly French, hold about 60 per cent of ERPM's equity.

Most analysts think the mine should close on the grounds that further aid would throw good money after bad. Mr Gary Maud, head of the rival Gengold, has said that his group would consider closure of a mine if it made a loss for two successive quarters. ERPM last made a profit in 1980.

An alternative is a drastic rationalisation, with only the vertical shaft, mining low volumes, being kept operational.

Singaporeans to invest in HK Post

By John Elliott in Hong Kong

SINGAPORE Press Holdings, publisher of the Straits Times, and United Overseas Bank (UOB) are to take a 14 per cent stake in South China Morning Post Publishers, the profitable Hong Kong newspaper company owned by Mr Rupert Murdoch's News Corporation.

This will form part of a share flotation of 49 per cent of Post Publishers, which is expected to yield more than HK$2bn (US$257m) for Mr Murdoch's heavily indebted empire and put a value of nearly HK$4.5bn on the company. News Corporation will still own the remaining 51 per cent.

Mr Wee Cho Yaw, a prominent Singapore business executive and chairman of UOB, has been closely involved in the deal. He is believed to be passing some of the 14 per cent stake on to local companies in which he is also involved, such as Haw Par Brothers and United Overseas Land.

The deal demonstrates the interest of Singapore business executives in building up stakes in Hong Kong as the colony approaches its return to Chinese sovereignty in 1997.

The pre-placement was approved yesterday by the Post Publishers' board, with a 17.5 per cent private placement with different investors and a public issue of 17.5 per cent. More than 700m shares are expected to be issued at about HK$3 each.

Details will be announced tomorrow and arrangements for the flotation will be formally signed next Monday by the company and its two leading underwriters, Standard Chartered Bank of the UK and Wardley, the merchant banking arm of Hongkong and Shanghai Banking Corporation.

The company's main publication is the South China Morning Post, the colony's largest English language daily and one of Mr Murdoch's most profitable newspapers. Its profits are believed to have totalled HK$450m in its latest year and forecast to reach about HK$500m in the current year. Advertising income exceeded HK$670m last year.

The market value of approaching HK$4.5bn compares with a net outlay of about HK$2bn, believed to have been made by Mr Murdoch when he bought the Post in 1986-87 from a group of local owners including Hongkong Bank, Mr Li Ka-shing's Hutchison Whampoa and Dow Jones of the US. Mr Murdoch then bought out minority shareholders and delisted the company.

Murdoch: selling stake to raise funds for indebted News Corp

His intention to sell a minority stake was announced nearly a month ago and surprised the market because it meant he was prepared to forgo a large slice of the company's future profits in return for the benefits to News Corp of an immediate injection of funds.

News Corp is selling assets to reduce debt of more than US$8bn. It sold the J.B. Lippincott medical publishing unit of Harper Collins last month. The Star, a US tabloid magazine, was sold in March.

Some analysts estimate that the Morning Post's profits may reach a plateau soon. Others, however, expect the high level of classified advertising income to continue because there is no sign of any easing in Hong Kong's tight labour market.

● News Corporation also agreed yesterday to sell the Australian retail book business of its Harper Collins Publishers division, for A$20m (US$15m), AP-DJ reports from Sydney.

Brash Holdings, an Australian musical products retailer, is to acquire the Angus & Robertson bookstore chain. The acquisition does not include a publishing business of the same name.

● Lawyers representing US investors holding debentures in Mr Alan Bond's Bond Brewing Holdings said yesterday that an offer to repurchase the securities was inadequate.

The offer is US$400 for each $1,000 principal amount. The debenture holders are suing Bond Brewing for full and immediate repayment.

Ascom sales rise in line with forecast

By William Dullforce in Geneva

ASCOM, Switzerland's biggest telecommunications group, has announced a 14 per cent rise in sales to SFr870m ($605m) during the first four months of this year compared with the corresponding period of last year and a 16 per cent increase in incoming orders to SFr1.09bn.

No earnings were reported, but the figures released indicate that the group, which is in the throes of a reorganisation aimed at lifting profits, is still on target to meet the forecast 13 per cent improvement in sales this year which would take its annual turnover to SFr3bn.

However, there appears to have been a tapering off in sales growth in April; a 20 per cent increase was posted in the first three months.

Formed in 1987 from the merger of the Hasler and Autophon companies, Ascom turned in a disappointing profit performance last year, when consolidated net earnings grew by a mere 3.1 per cent to SFr50.7m and cash flow advanced by only 5 per cent to SFr247.9m in spite of a 10.3 per cent climb in sales to SFr2.65bn. Shareholders received an unchanged dividend of SFr14 per share.

In December the group was reorganised into five divisions. Since then Ascom has announced that its 11,000 workforce in Switzerland would be reduced by 1,000; that it was seeking strategic alliances with other companies in product and market segments where it was no longer sensible to go it alone; and that it was examining a simplification of its capital structure, which might involve a conversion of participation certificates into shares.

Ascom is among the world market leaders in some specialised products such as service automation and mail handling equipment, but it has been struggling to reduce its dependence on the Swiss market which still accounted for more than 60 per cent of sales in 1989.

Of the SFr178m it spent on acquisitions last year, SFr101m went to the purchase of Rockaway, a New Jersey manufacturer of mail handling systems.

Hiring freeze at Swissair follows poor April results

SWISSAIR, Switzerland's national airline, said yesterday that its results in April were "below expectations," and that it had initiated an immediate hiring freeze to cut costs, AP-DJ reports.

The airline also said the hiring freeze would be supported by additional unspecified measures focusing on both revenues and costs.

The company said it had taken the steps after measures announced in March, including more restrictive hiring practices and tariff adjustments, "failed to have the desired effects."

In April, revenues were up 3 per cent over the same month a year ago, while costs before depreciation jumped by 10 per cent over the same period.

Seat load factor in April, at 63.5 per cent, was 2 percentage points below the year-ago month. Overall load factor also fell, reaching 65 per cent compared to 67 per cent.

Swissair said that, although traffic in Europe had improved, intercontinental traffic, particularly that to and from the Far East and across the North Atlantic, was "below budgeted objectives."

In addition, results in April were hit by foreign exchange rate factors, Swissair said.

It added that the measures announced yesterday "should have a sustained effect on results for this year, and create a better basic position for 1991."

INTERNATIONAL COMPANIES AND FINANCE

American Airlines pulls out of race to buy Aerolineas

By Gary Mead in Buenos Aires

MR ROBERTO Dromi, Argentina's Minister of Public Works with responsibility for the country's sale of nationalised companies, announced yesterday the surprise decision by American Airlines to withdraw from the race to purchase Aerolineas Argentinas, which is due to be privatised by the end of July.

Mr Dromi confirmed that KLM, the Dutch airline, had stepped into the ring, in collaboration with the Brazilian operator Varig and the US bank Chase Manhattan. The Government has placed a cash price of US$220m on Aerolineas, in addition to a recently widened scope of a minimum of $1.5bn in debt-equity exchange.

Mr Dromi's statement significantly left out Iberia, the Spanish airline, which is in talks with the Cielos del Sur, a local Argentine conglomerate, to form a partnership to buy into the 85 per cent of Aerolineas available to foreign airlines.

American Airlines' decision to pull out was attributed by Mr Dromi to his refusal to consider a request by the company to delay the sale until the end of July. He said: "It would not be serious to modify the terms of the sale at the request of one of the interested parties." But Aerolineas' sale date has already been delayed, following an earlier request from American Airlines.

Under the regulations concerning privatisation of Aerolineas, foreign operators are required to have partnerships with Argentine companies. Analysts suggest Mr Dromi's omission of Iberia was not accidental, as Cielos del Sur is headed by Mr Enrique Pescarmona, who is engaged in a personal feud with Mr Dromi.

Cielos del Sur also controls the domestic Argentine carrier Austral. Behind the scenes it is known that Mr Dromi discouraged American Airlines, thanks to its earlier discussions concerning possible partnership with the Cielos del Sur group. Those talks,which proceeded since the start of the year, recently collapsed.

American Airlines recently acquired Eastern Airlines' Latin American routes. Yesterday American Airlines launched an advertising campaign in all national Argentine newspapers and has clearly decided to compete with Aerolineas and its future new owners head on.

The feud between Mr Dromi and Mr Pescarmona is believed to be behind the official decision early this year to prevent Austral from operating what would have been its first international route, between Buenos Aires and Santiago in Chile.

Observers believe that the feud, which cast a shadow over Cielos del Sur's hopes with American Airlines, will produce a similar fate for its negotiations with Iberia.

FDIC repels offer for Continental Bank stake

By Roderick Oram

CONTINENTAL Bank, the Chicago institution rescued at a cost of $1bn by US regulators in 1984, has reacted angrily to the Federal Deposit Insurance Corp's latest refusal to sell its remaining stake in the company.

"I'm dumbfounded that in a little more than six months the FDIC has passed up two legitimate opportunities to sell its minority stake in Continental," said Mr Thomas Theobald, the bank's chairman.

"Not only have they failed to turn their asset into cash but they have continued ownership in a healthy bank, which is a wholly unwarranted role for a regulator."

A group of private investors, Continental Bank executives and the bank had offered $15 a share for the remaining 14.2m shares, or 26 per cent stake, the FDIC holds in Continental.

The FDIC said it "remains committed to realising the full value of its holdings and will explore all options for divesting its ownership."

The bank foundered in 1984 under the weight of bad oil industry loans. The FDIC has reduced its stake in it from 100 per cent after the rescue in three steps including an initial public offering of stock in 1986.

Last April it cut its stake from 43 per cent to 26 per cent, accepting a price of $24.75 a share. The stock price slid subsequently, partly reflecting the misfortunes of the banking industry but also a deteriorating performance at Continental.

National Intergroup finalises proposals for sale of assets

By Roderick Oram in New York

NATIONAL Intergroup, the former parent of National Steel, the sixth largest US steel maker, has finalised its plans to shed its remaining assets except for a drug distribution company.

The company also intends to pay a large one-time dividend to shareholders or buy back stock and has accepted the resignation of Mr Howard Love, its controversial chairman of the past 10 years.

Centaur Partners, a New York-based group of investors with a 16.5 per cent stake in the company, said the plans were "a good beginning" but it would continue to seek the election of its slate to the National Intergroup board at the company's July 25 annual meeting.

Centaur said it continued to believe liquidation of the company would serve shareholders best. To that end it wants the company to sell FoxMeyer, the third largest US drug wholesaler. Total liquidation would raise at least $29 a share, Centaur said, against a current share price of around $17.

National Intergroup's board plans instead to change the company name to FoxMeyer and move its headquarters from Pittsburgh, the steel town that has been its home for decades, to Dallas where the drug business is located. Mr Love would resign when the move was completed.

During his stormy tenure as chairman, Mr Love implemented an ambitious diversification programme to move National Intergroup away from steel. He sold a 50 per cent stake in National Steel to NKK, the Japanese steel maker, for some $300m in 1984. NKK recently agreed to buy a further 40 per cent stake and National Intergroup has the right to divest its remaining 10 per cent in five years' time.

Despite the expensive diversification, National Intergroup lost money in six of the past eight years and its shares languish at roughly half the price they fetched six years ago. It paid $600m for FoxMeyer in 1986 but the acquired company, suffering its problems with diversification and excess inventory, is less profitable than its competitors.

Rival lifts Doman stake

LOUISIANA Pacific, the US forest products group, has raised its holding in Vancouver's Doman Industries from about 10 per cent to nearly 15 per cent through market purchases, and says it will go further, writes **Robert Gibbens**.

Louisiana Pacific suddenly backed out of a C$12-a-share takeover bid for Doman, then a timber products group, late in 1988, causing a steep fall in Doman stock. This in turn led to a landmark insider trading case.

Louisiana Pacific continued to hold 10 per cent of Doman and has recently been a heavy buyer in the market.

BCED slump continues with net loss of C$20m

By Robert Gibbens in Montreal

HEAVY LOSSES continue at BCE Development, the big North American property group controlled by BCE Inc and Carena Developments, the main real estate arm of the Toronto interests of Mr Peter and Mr Edward Bronfman.

BCED is caught in the US office property slump and carries a staggeringly high interest burden. The first quarter net loss was C$19.9m (US$16.9m) or 13 cents a share against a loss of C$13.4m or 10 cents a year earlier. Revenues dipped 27 per cent to C$93.8m and cash flow deficiency was C$16.7m against C$12.7m.

BCED has about C$2.2bn in debt and first-quarter interest charges were C$35.4m.

The company continues efforts to sell US properties and will not return to the black until this process is complete. It expects a loss of about C$75m for all 1990.

Last autumn BCE created a joint venture with Carena to provide BCED with cash to carry its problem portfolio, mainly office buildings in weak US markets.

BCE retains 67 per cent control of BCED and Carena's role is primarily to manage the company and return it to profitability within two years. Each company put C$250m cash into BCED and Carena set about selling the US properties. Earlier the Reichmann brothers' Olympia & York Developments pulled out of a proposal to buy BCED for more than C$500m.

Carena wants to transfer BCED's Canadian properties, including the flagship BCE Place, Toronto, to a new company called Brookfield Development and take it public by mid-1991. BCED would become a holding company and the C$500m injected by the partners would be converted to equity.

Existing BCED public shareholders would get the right to buy Brookfield shares. But BCED preferred shareholders are challenging the plan, saying it is against their interests.

Businessland to establish Japanese unit

By Karen Zagor in New York

BUSINESSLAND, the biggest US personal computer dealer, is forming a Japanese subsidiary to take advantage of the growing computer market in Japan.

The California-based company will hold a 54 per cent stake in the Tokyo-based Businessland Japan. Softbank, a distributor of software and computer peripherals in Japan, will have a 26 per cent stake. Businessland's other partners in the venture are Fujitsu, Sony and Toshiba, each of which will hold 5 per cent of the new company.

Businessland, which last year had sales of $1.2bn, has been expanding rapidly overseas. But the Japanese computer market is considered particularly challenging. As well as the difficulties faced by many foreign companies operating in Japan, there is a large network of local computer dealers. Also, there is no single standard on which to base hardware and software.

Businessland is taking a cautious approach. The Tokyo subsidiary will start with a capitalisation of only $20m. The company estimates that the Japanese market could grow to about 50 per cent of the US market, which last year was $27.2bn. At present, the Japanese personal computer market is about 10 per cent to 20 per cent of the US market.

The Japanese subsidiary will offer products from Canon, Fujitsu, International Business Machines, NCT, NEC, Sony and Toshiba.

The company said it established the subsidiary because of the opportunities in office automation in Japan and to fulfil requests by its multinational customers to develop a global presence.

Seagram advances 25%

By Robert Gibbens

SEAGRAM'S worldwide drinks business continued to surge in the first quarter of fiscal 1991 with a 25 per cent gain in operating income to US$157m on a 5.4 per cent sales rise to US$1.3bn.

Including dividends and unremitted earnings from its 24.3 per cent holding in Du Pont, the US chemicals and energy company, Seagram reported final net income for the three months to the end of April of US$187m or $1.97 a share compared with $196m or $2 a share a year earlier. Du Pont dividend income rose 14 per cent to $66m while unremitted earnings were down to $79m from $108m.

COMPANY NOTICES

SOLVAY + CIE

The General Meeting of 31st May, 1990 approved the distribution for the financial year 1989 of a net dividend of BF470 on bearer shares. The final dividend of BF370 will be payable by BF draft, by transfer to a BF account, or, in sterling at bankers sight buying rate for Belgian francs on the day of presentation at the option of the holder against presentation of Coupon No 45 at either of the following offices.

Schroder Investment Management Limited
36 Old Jewry
London EC2R 8BS
Attention Coupon Department

Banque Belge Limited
4 Bishopsgate
London EC2

Between the hours of 10 am and 2 pm on or after 7th June, 1990. UK tax will be deducted from the net dividend unless lodgements are accompanied by the necessary affidavit. Payment can be made only to persons residing outside the Belgo-Luxembourg Customs Union. Shareholders should note that under the terms of the U.K./Belgian Double Taxation Convention Solvay shareholders resident in the UK are eligible, upon submitting a duly completed form 276 Div to partial reimbursement of Belgian withholding tax equal to 13.38 pct of the net dividend.

LEGAL NOTICES

QUIN COPE LIMITED (IN MEMBERS' VOLUNTARY LIQUIDATION)

Pursuant to Rule 4.182A of the Insolvency Rules 1986 the Liquidator of the above company has already given notice that he intends to make a final distribution to shareholders.

Quin Cope Limited conducted a marking name business in the following names:

Gerald quin Cope and Co.
Gerald Quin Cope and Co. Ltd
Stocken and Concannon
Stocken and Lazarus
P.W. Kamp Gee and Co.
Scrimgeour Kemp Gee and Co.
Morton Bros.

The marking name business was transferred in December 1985 to The English Association of American Bond and Shareholders Ltd, Wilec House, 82-100 City Road, London EC1Y 2BJ, who deal with all matters arising relating to shares registered in the above names since December 1985. Claims in respect of matters arising prior to that date must be submitted before 29th June 1990 to, The Liquidator, Roger Smith of KPMG Peat Marwick McLintock, P.O. Box 730, 20 Farringdon Street, London EC4A 4PP.

R. Smith, Liquidator
30th May 1990

LEGAL NOTICES

No. 002498 of 19[illegible]
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR. JUSTICE VINELOTT
IN THE MATTER OF LLOYDS CHEMISTS RETAIL (NORTHERN) LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE is hereby given that Order of the High Court of Justice Chancery Division dated the 14th day of May 1990 confirming the reduction of the share premium account of the above-named Company to £[illegible] was registered by the Registrar of Companies on the 17th day of May 1990.

Dated the 30th day of May 1990

Slaughter and May,
35 Basinghall Street,
London EC2V 5DB
Solicitors for the said Company

No. [illegible] of 19[illegible]
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR. JUSTICE VINELOTT
IN THE MATTER OF NORTHERN COMMERCIAL TRUST LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE is hereby given that the Order of the High Court of Justice Chancery Division dated the 14th day of May 1990 confirming the reduction of the capital of the above-named Company from £3,000,000 to £[illegible] was registered by the Registrar of Companies on the 17th day of May 1990.

Dated the 30th day of May 1990

Slaughter and May,
35 Basinghall Street,
London EC2V 5DB
Solicitors for the said Company

PERSONAL

INTERNATIONAL CAPITAL MARKETS

German bonds fall further on news of strong data

By Stephen Fidler in London and Janet Bush in New York

THE West German government bond market continued to weaken yesterday as economic statistics pointed to a very buoyant German economy. Many in the market are convinced a further rise in German interest rates is inevitable and the 10-year bond yield – now around 8.75 per cent – will climb beyond 9 per cent before it halts.

GOVERNMENT BONDS

Gross national product and unemployment statistics describe, said Mr Steve Major, of UBS Phillips and Drew in London, "a dynamic economy showing signs of hitting capacity constraints."

A net drain, though modest, of DM5.1bn in a Bundesbank repurchase operation, also hinted at higher rates and depressed the market. Technical support for the market associated with the expiry of the June Bund futures contract on the London International Financial Futures Exchange evaporated on Tuesday, leaving little to underpin the market.

The September contract ended the day at 82.61, compared with 83.16 at Tuesday's close.

Yield spreads between the German and the French and Dutch market tended to narrow. The French-German spread closed at exactly 100 basis points and the Dutch-German spread at 21 basis points.

■ THE UK gilt market lost up to ⅜ point on scattered selling, some from abroad, amid some worries about a raft of economic statistics due next week. But traders said the market's thinness continued to exaggerate any movements.

■ WILD rumours about military activity and nuclear accidents in the Soviet Union – which appeared by the close of business in London to be unfounded – led the Japanese government bond market to fall in Tokyo after the official close of the market. The yield on the benchmark No 119 bond rose to 6.99 per cent.

■ US Treasury bonds were quoted marginally lower at midsession yesterday, with the short-end particularly under pressure because of comments by officials of the Federal Reserve Board suggesting that they did not intend to ease monetary policy.

At midsession, short-dated maturities were as much as ⅛ point lower, while the Treasury's benchmark long bond stood 1/32 point lower to yield 8.45 per cent.

Mr Edward Kelley, a Fed governor, was quoted in the US press as saying that he was comfortable with the Fed's current monetary stance which he described as probably moderately restrictive. Mr Roger Guffey, president of the Kansas City Fed, was quoted as saying the Fed was "accomplishing exactly what we set out to do."

The price erosion on these remarks was very modest, mostly because they circulated on wire services on Tuesday. Yesterday, the market was watching for any further hints on the Fed's thinking from Mr Alan Greenspan, Fed chairman, who was addressing a conference on monetary policy.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-26	-06/32	12.63	12.85	13.42
		10.500	5/99	91-14	-16/32	12.09	12.11	12.59
		9.000	10/08	83-08	-26/32	11.15	11.12	11.43
US TREASURY *		8.875	05/00	102-19	-03/32	8.48	8.63	8.52
		8.750	05/20	103-06	..	8.45	8.61	8.45
JAPAN	No 119	4.800	6/99	87.9139	-0.242	6.98	6.95	7.31
	No 2	5.700	3/07	93.4285	+0.075	6.62	6.55	7.08
GERMANY		7.750	02/00	93.4500	-0.500	8.78	8.69	8.50
FRANCE	BTAN	9.000	02/95	96.0006	-0.034	10.08	9.94	9.74
	OAT	8.500	08/00	92.1800	-0.130	9.76	9.59	9.44
CANADA *		9.750	05/00	94.5000	+0.900	10.68	10.97	11.37
NETHERLANDS		9.000	05/00	100.0800	-0.080	8.99	8.94	8.87
AUSTRALIA		12.000	7/99	92.3999	-0.095	13.46	13.61	13.58

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Bundesbahn uses stock market

By Deborah Hargreaves

THE Bundesbahn doubled the size of its DM2bn floating-rate note yesterday which it first issued in early March. The federal railway took the unusual step of raising its issue by announcing the sale of the additional DM2bn bonds through the stock market.

The bonds will be available for sale through the Frankfurt Stock Exchange from June 11. It is the first time that an existing bond issue has been tapped through the stock market rather than by traditional syndication methods in the public bond market.

The deal was a floating-rate note which was issued at par, paying the London interbank offered rate less 20 basis points. The Bundesbahn has said this will be the last time it bases its deal on Libor and will move to the Frankfurt rates with any subsequent bonds.

Market players say there is still fairly strong demand for floating-rate notes in the domestic market, even though the rail issue was followed by other issues for the federal Government and the Bundespost. Floating-rate notes can be used as part of repurchase agreements with the Bundesbank, which is why they still sell well, dealers say.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.
Latest prices at 8:15 pm on June 6

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	98¾	99¼		9.38
ALBERTA PROVINCE 9 3/8 95	600	100¾	101¼	−⅛	9.17
AMERICAN GENERAL 9 3/4 95	100	97	98¼	+½	10.54
AUSTRALIA 11 1/4 00	100	107¾	108¾	−⅛	9.97
AUSTRIA 8 1/2 00	400	95¼	95½	−⅛	9.27
BANK OF TOKYO 8 3/8 96	100	95¼	95¾	−⅛	9.49
BELGIUM 9 1/8 92	400	100⅛	100⅝	−⅛	9.02
BFCE 7 3/4 97	150	92⅝	93⅛	−⅛	9.26
BNP 8 5/8 94	300	98	98⅜	−⅛	9.21
BP CAPITAL 9 5/8 93	150	100⅞	101⅜	+⅛	9.30
CANADA 9 96	1000	100¼	100⅝	−⅛	8.93
CCCE 9 1/4 95	300	100⅜	100⅞	−⅛	9.13
COUNCIL EUROPE 8 96	100	94½	95		9.20
DENMARK 0 98	250	48⅛	48⅝	−⅛	9.37
DENMARK 8 1/4 94	150	96¾	97¼	−⅛	9.20
ECSC 8 1/4 96	193	95¼	95¾	−⅛	9.24
EEC 7 1/4 93	250	95¾	96¼	−⅛	9.04
EIB 7 3/4 96	250	93½	94	−⅛	9.21
EIB 11 91	125	101	101⅜	−⅛	9.44
ELEC DE FRANCE 9 98	200	99¼	99¾	−⅛	9.15
EUROFIMA 9 1/4 96	100	100⅞	101¼	+⅛	9.03
EXPORT DEV CORP 9 1/2 98	150	101½	102	−⅛	9.24
FINLAND 7 7/8 97	200	92½	93	−⅛	9.48
FINNISH EXPORT 9 3/8 95	200	100¾	101⅛	−⅛	9.17
FORD MOTOR CREDIT 9 1/2 93	300	100⅝	101⅛	−⅛	9.24
GAZ DE FRANCE 12 1/4 93	175	103¾	104¼		10.71
GEN ELEC CAPITAL 9 3/8 96	300	101⅛	101⅝		9.12
GMAC 10 92	250	100⅝	101⅛	+⅛	9.64
HALIFAX 9 1/2 93	200	100⅝	100⅞		9.34
IBM WORLD TRADE 7 5/8 93	150	95½	96		9.27
IND BK JAPAN FIN 7 7/8 97	200	92⅝	93⅛	−⅛	9.43
INTER AMER DEV 7 5/8 96	200	92¼	92¾	−⅛	9.33
ITALY 8 1/2 94	1500	97¼	97¾		9.12
JAPAN DEV BK 8 94	150	96⅛	96⅝	−⅛	9.13
KANSAI ELEC PWR 10 96	350	102¼	102¾	−⅛	9.49
LTCB 8 5/8 93	150	98¾	99¼	−⅛	9.13
NEW ZEALAND 8 93	100	96¼	96¾	−⅛	9.48
NIPPON CRED BK 9 3/4 93	150	101	101½	−⅛	9.35
NIPPON TEL & TEL 9 3/8 95	200	101	101½	+⅛	9.08
NISSAN ACCEPT CORP 9 1/4 91	150	99⅝	100⅛	−⅛	9.54
OLYMPIA & YORK 8 1/4 96	435	90	91	−⅛	10.56
ONTARIO HYDRO 11 5/8 94	200	106¾	107¼	+⅛	9.29
OSTER KONTROLLBANK 8 1/8 93	200	97¾	98¼	−⅛	9.05
PRUDENTIAL RLTY SECS 0 99	365.216	46¼	46¾		9.37
QUEBEC HYDRO 9 3/4 93	150	100¾	101¼	−⅛	9.58
QUEBEC PROV 9 98	200	96¾	97¼	−⅛	9.57
SAINSBURY 9 1/8 96	150	98¼	98¾		9.46
SAS 10 99	200	101⅛	101⅝	−⅛	9.79
STATE BK STH AUST 9 1/4 93	100	99⅝	100⅛		9.38
SUMITOMO TST 7 3/4 91	100	98	98½	−⅛	9.24
SWEDEN 8 1/2 94	150	96¾	97¼	+⅛	9.18
SWEDISH EXPORT 9 5/8 93	100	101¼	101¾		9.00
TOKYO METROPOLIS 8 1/4 96	200	95¼	95¾	−⅛	9.27
WORLD BANK 8 3/8 99	1500	96¼	96¾	−⅛	9.13
WORLD BANK 8 3/4 97	1500	99¾	99¾	−⅛	9.12
XEROX CORPN 8 3/8 96	100	93¾	94¼	+⅛	9.84

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	97¼	97¾	+⅛	8.78
AUSTRIA 6 98	400	83¾	83¾	−⅛	9.08
CNT 6 1/8 98	200	82⅞	83⅜		9.13
CREDIT FONCIER 6 3/4 99	500	85⅞	86	−⅛	9.15
DEUTSCHE BK FIN 5 5/8 96	750	85	85⅛		8.97
EEC 5 3/8 93	300	91⅝	91¾		9.14
EIB 6 1/8 96	300	86¾	86⅝		9.17
EIB 6 7/8 95	300	90¼	91	+⅛	9.09
ELEC DE FRANCE 6 1/8 98	300	82⅞	82¾		9.23
EUROFIMA 6 1/4 98	400	82⅝	82⅞		9.37
FERRO DEL STAT 5 3/8 93	500	91½	91½		9.16
IND BK JAPAN FIN 5 5/8 96	200	84½	84½	+⅛	9.14
INTER AMER DEV 7 1/4 99	300	88⅝	88⅝	−⅛	9.24
LUFTHANSA INT FIN 5 7/8 98	500	81⅝	81⅝	−1	9.26
QUEBEC HYDRO 6 3/4 99	300	84⅝	84⅞		9.36
SWEDEN 6 1/8 98	300	84⅝	84⅞	+⅛	9.00
WORLD BANK 0 15	2000	14¼	14¾		7.93
WORLD BANK 5 3/4 96	300	85¾	85⅞	+⅛	9.11
WORLD BANK 7 1/8 95	500	93⅛	93⅝	+⅛	8.92

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	86½	87½		7.28
AUSTRIA 4 5/8 98	100	88½	89⅛	+1	6.57
COUNCIL EUROPE 4 3/4 98	250	85¼	86	+⅛	7.22
DENMARK 3 3/4 91	100	97		+½	7.98
EEC 5 1/2 00	100	88¾	88¾	+½	7.09
EIB 5 3/4 93	100	96¼	97	+⅛	7.01
FINLAND 5 3/8 95	150	93¾	93¾		6.90
JAPAN DEV BK 5 1/2 94	100	94½	95		7.24
MOUNT ISA FINANCE 5 3/4 94	100	89	90		9.21
NEW ZEALAND 4 7/8 99	200	85	85½		7.26
POLLY PECK INTL FIN 6 1/4 96	100	81½	82½	+⅛	10.72
QUEBEC HYDRO 5 08	100	79½	80½	+½	7.05
SKANDINAVISKA ENSK 6 1/2 95	100	98⅛	99⅛	−½	6.88
WORLD BANK 6 1/4 92	100	98	98⅛		7.18
WORLD BANK 7 1/4 92	100	100⅜	100⅞	+⅛	7.11

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	93½	93¾		6.83
BARCLAYS O/S INV 6 96	40000	94½	95		7.12
CREDIT FONCIER 5 1/4 94	20000	93½	94		6.96
DENMARK 7 95	40000	100⅞	101⅛		6.76
EIB 4 5/8 96	40000	92¼	93	−⅛	6.79
FNMA 6 7/8 92	50000	100⅛	100⅝		6.76
GENERAL ELECTRIC 5 3/4 93	35000	96¼	96¾		7.26
ITALY 5 3/4 92	150000	98¾	98¾		6.77
NORWAY 5 1/8 95	50000	93½	93¾		6.71
PHILIP MORRIS 6 1/2 91	20000	98¾	99¼	+⅛	8.75
SWEDEN 5 5/8 95	20000	95¼	95⅝		6.74
WORLD BANK 6 3/4 00	50000	100⅜	100⅞		6.66

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91⅞	92⅞	−⅛	9.73
KREDIETCORP 7 93 LFr	1000	92⅞	93⅞	−⅛	9.70
WORLD BANK 8 96 LFr	1000	93	94		9.61
ALBERTA PROVINCE 10 92 C$	500	95⅛	95½	+⅛	12.75
BCE INC 9 5/8 93 C$	300	92¾	93¼	+⅛	12.75
BK MONTREAL REALTY 10 3/4 92 C$	75	95⅞	96¼	+⅛	12.78
BRITISH COLUMBIA 12 1/4 91 C$	100	97¾	98¼	−⅛	13.78
EIB 10 1/8 98 C$	130	98¼	98¾	+⅛	12.11
FORD CREDIT CANADA 10 94 C$	100	92	92½	+⅛	12.55
GENERAL ELECT CAP 10 1/4 93 C$	175	93½	94		12.72
MONTREAL TRUSTCO 8 1/2 92 C$	100	92¼	92¾	−⅛	13.32
NEW BRUNSWICK 10 3/4 02 C$	150	92¾	93¼	+⅛	11.96
ONTARIO HYDRO 10 7/8 99 C$	500	95	95½	+½	11.80
ROYAL TRUSTCO 10 1/4 93 C$	100	93⅛	93⅝	+⅛	13.07
SWEDEN 9 3/4 93 C$	250	93¾	94¼	+⅛	12.42
TORONTO 11 99 C$	75	94½	95	+⅛	12.03
AUSTRIA 7 3/8 93 Ecu	125	93¾	94¼	−⅛	10.01
CNT 7 3/8 93 Ecu	250	92⅞	93⅜	−⅛	10.19
CREDIT LYONNAIS 9 96 Ecu	125	94⅜	94⅞	−⅛	10.31
DENMARK 7 5/8 96 Ecu	250	87½	88	−⅛	10.58
EEC 7 5/8 94 Ecu	200	91⅛	91⅝	−⅛	10.52
EIB 10 97 Ecu	500	98¼	98¾	−⅛	10.38
ITALY 10 3/4 00 Ecu	1000	101⅞	102⅛		10.43
SWEDEN 7 1/2 93 Ecu	250	92⅛	92⅝	−⅛	10.16
BMW FINANCE 14 1/2 92 A$	100	100⅝	101⅛	+⅛	13.95
COUNCIL EUROPE 13 93 A$	50	98¾	99¼		13.50
DEUTSCHE BK FIN 12 1/4 95 A$	185	93½	94		14.16
EKSPORTFINANS 12 3/8 95 A$	75	92¼	92¾		14.67
FORD CRED AUST 13 93 A$	50	97¼	97¾		14.20
HEINZ 12 3/4 91 A$	100	97½	98	+⅛	15.42
ICI 15 1/2 92 A$	100	100⅝	101⅛	+⅛	15.03
NAT AUSTRALIA BANK 14 3/4 94 A$	150	99½	100		14.86
NATWEST AUST BK 13 3/4 91 A$	50	98¼	98¾	+⅛	14.79
STATE BK NSW 14 1/4 99 A$	100	99⅛	99⅝		14.33
BARCLAYS JERSEY 9 1/2 93 £	250	91⅛	91½	−⅛	13.43
EIB 10 97 £	300	87⅛	87⅝	−⅛	12.91
FORD CREDIT FUNDING 9 5/8 93 £	50	90⅛	90⅝	−⅛	14.02
INTER AMER DEV 11 3/8 95 £	75	94½	95	−⅛	12.94
ITALY 10 1/2 14 £	400	85⅛	85½	−⅛	12.47
LAND SECS 9 1/2 07 £	200	73¾	74¼	−⅛	13.51
LEEDS PERMANENT 9 1/4 93 £	50	89½	90	−⅛	13.78
NORWAY 10 1/2 94 £	200	92⅛	92⅝	−⅛	13.19
ROLLS-ROYCE 9 5/8 93 £	150	89⅝	90⅛		13.99
SAINSBURY 10 7/8 93 £	100	93⅛	93⅝	−⅛	14.02
WORLD BANK 11 1/4 95 £	100	94⅞	95⅜	−⅛	12.85
BARCLAYS BK 13 1/4 92 NZ$	50	101⅛	102⅛		12.60
UNILEVER CAP CORP 14 92 NZ$	60	101½	102½		12.77
AIDC 7 7/8 93 FFr	600	93⅛	93½	−⅛	10.40
DENMARK 8 1/8 91 FFr	1000	97⅛	97⅝		10.20
EURATOM 7 5/8 98 FFr	500	85½	86	−⅛	10.36

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.96	100.02	15.3125
ALBERTA PROVINCE 1/32 93	500	99.86	99.96	8.2813
ALLIANCE & LEICS 0.08 94 £	300	99.87	99.92	15.3900
BANCO DI NAPOLI INT 91	150	99.98	100.08	8.8750
BANCO ROMA 0.03 01	200	96.05	96.32	8.2800
BELGIUM 1/16 97 DM	500	100.04	100.13	8.9375
BFCE -0.02 96	350	99.85	99.95	8.4175
BNP 05	300	98.79	98.89	8.3750
BRITANNIA 1/10 96 £	150	99.86	99.91	15.3500
CITICORP 1/4 98	500	96.97	97.47	8.5625
CITIZENS FED 0.15 96	100	98.88	99.78	8.7125
COMMERZBK O/S FIN 93	200	99.68	99.70	8.3125
DENMARK -1/8 96	1000	99.82	99.12	8.1875
FERRO DEL STAT 94	200	100.24	100.34	8.4375
HALIFAX 1/10 94 £	200	100.81	100.06	15.3500
MITSUI FIN ASIA 1/8 96	100	99.92	100.02	8.5625
MORGAN (JP) 1/4 97	250	99.75	100.00	8.5625
NAT WEST FIN 3/16 05	400	97.48	97.93	8.8025
NEW ZEALAND 93	500	99.42	99.52	8.2500
NORTHEAST SAVINGS 1/10 96	150	99.00	99.82	8.5375
QUEBEC PROV 01	300	97.64	97.77	8.5000
RENFE 98	500	99.68	99.78	8.5000
SOCIETE GENERALE 96	300	99.27	99.37	8.6250
UNITED KINGDOM -1/8 96	4000	99.80	99.83	8.2500
WELLS FARGO 1/16 94	150	98.13	98.63	8.5000

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	68	2.95	98¾	99¾	+26.82
ASDA-MFI 4 3/4 02 £	108	1.64	103¾	104¾	+55.35
BURTON GROUP 4 3/4 01 £	110	3.15	107½	108½	+91.31
EASTMAN KODAK 6 3/8 01	300	58.67	94½	95½	+19.39
GOODYEAR TIRE 6 7/8 03	150	80⅛	76¼	77¼	+71.41
GRACE (WR) 6 1/4 02	150	42⅛	84⅛	85⅛	+19.80
GRAND MET 6 1/4 02 £	100	6.58	102¼	103¼	+5.49
HILLSDOWN 4 1/2 02 £	159	4.16	97¼	98¼	+56.20
INTL PAPER 5 3/4 02	200	68⅛	88¼	89¼	+17.19
LAND SECS 6 3/4 02 £	84	6.72	83⅜	84⅜	+10.07
METAL BOX 5 3/4 02 £	65	1.93	111⅛	114	−2.30
MITSUBISHI BK 1 3/4 02	300	2727.1	91	93	−1.64
OGDEN 6 02	85	39.077	85¼	86¼	+23.17
PACIFIC DUNLOP 6 3/4 97	75	3.749	104¼	105¼	+2.02
SUMITOMO BANK 3 1/8 04	300	3606.9	66½	67½	+8.67
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	77½	78⅛	+82.26
THORN EMI 5 3/4 04 £	103	7.45	105⅛	106⅛	+3.26

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Minister warns on Canadian instability

By Bernard Simon in Toronto

CANADA'S finance minister has warned that recent uncertainty on the country's political future is pushing up costs for federal and provincial borrowers in international capital markets.

Citing a recent 30-year bond issue in the US by Newfoundland, the country's poorest province and one of the most implacable opponents of the constitutional reform package known as the Meech Lake accord, Mr Michael Wilson told a parliamentary committee that "investors ask for a premium and that premium is usually reflected in higher interest rates."

According to Mr Wilson, Newfoundland initially hoped to pay a spread of 1.1 percentage points above long-term US Treasury bonds. But the bonds were issued at a 1.2-point premium, and subsequently traded at spreads as wide as 1.4.

Although Mr Wilson said spreads had also widened for other provinces, the head of one Toronto securities firm's bond department said that political jitters appeared to be confined to issues from Quebec and the Atlantic provinces.

The spread on 10-year Government of Canada bonds has risen in the past nine months from 0.85 to 2.25 percentage points, reaching a peak of 3.1 points in mid-April when foreign investors began taking a closer interest in the domestic political situation.

Traders point out, however, that yields on Canadian securities have also been pushed up this year by the Bank of Canada's high interest-rate policy, which is designed to contain inflation and avoid a repetition of last January's run on the Canadian dollar.

Mr Wilson's comments coincide with marathon negotiations taking place in Ottawa this week between Prime Minister Brian Mulroney and the premiers of all 10 provinces which aim to salvage the Meech Lake accord before it expires on June 23. The accord recognises Quebec as a "distinct society" within Canada, and gives all the provinces extra powers.

There is widespread concern in financial circles that the collapse of the accord would harm Canada's long-term economic prospects by boosting the separatist cause in Quebec and accelerating the fragmentation of the country.

Meech Lake's supporters often cite the threat to investor confidence in one of the world's most politically and economically stable countries as a key reason for the three dissident provinces – Manitoba, New Brunswick and Newfoundland – to accept the accord. Mr Wilson estimated that Newfoundland's higher borrowing costs could mean extra interest payments of C$20m to C$22m over the life of the recently-issued bond.

Besides the higher premium demanded for some Canadian public sector bonds, the main effects of the Meech Lake impasse have been the virtual closure of the domestic market to Quebec government borrowers and much greater price *volatility - both up and down -* in all Canadian issues.

The price of a new series of federal government bonds issued on Tuesday bounced up by a full point yesterday morning on news that the talks in Ottawa were making some progress. By mid-morning, the bonds were yielding 10.62 per cent, compared to 10.79 per cent at the time of issue. Earlier in the week, bond prices fell sharply when the Meech Lake talks appeared to be bogged down.

Citicorp to concentrate on derivatives

CITICORP is ending its underwriting, trading and distribution of long-term municipal bonds to focus on derivative products, such as interest rate swaps, for municipalities, Reuter reports.

Mr Glen Sergeon, Citicorp's head of municipal finance, said: "We are exiting the business of underwriting, trading and distributing long-term municipal securities . . . it hasn't proven to be profitable enough to be of interest for us . . . we are strongly convinced derivatives are the future of the business."

The US bank's municipal bond department will be staffed by 40 people from its current 70, but this should not involve lay-offs, Mr Sergeon said. The unit will not be folded into the corporate derivative products division, he said.

US banks fought to be allowed to underwrite municipal revenue bonds, but when they were given the powers in mid-1988, changes in US tax laws had made it less profitable.

INTERNATIONAL CAPITAL MARKETS

Three Euroyen deals help to stave off issue torpor

By Deborah Hargreaves

TORPOR continues to hang over the Eurobond market where for the moment syndicate managers see few bright deals to bolster their bottom lines.

There is no dearth of borrowers looking to make a foray into the Eurodollar market, but the lack of conducive swap opportunities and the apparent absence of fundamental support for the recent rise in the Treasury market has made them hesitate.

Nevertheless, the Eurodollar bond sector could be an area that offers some hope to syndicators in coming weeks.

Activity yesterday centred on three Euroyen deals which were largely targeted towards investors in Japan.

The three issues all paid coupons that were fairly attractive amid the current tightness in Japanese short-term rates, and were placed without much ado.

Daiwa succeeded in bringing a Y10bn issue for Lavoro Bank Overseas in spite of the wariness inspired by the borrower's name. The lead manager placed its bonds at less 1⅝ inside fees of 1⅞ for a deal which is not expected to trade widely.

An issue of SFr100m bonds for Ireland made its grey market debut in the public Swiss market yesterday after being

INTERNATIONAL BONDS

launched late on Tuesday. The bonds met an enthusiastic reception and the issue was later raised to SFr150m when it reached a trading level of less 1½ to less ¾, well inside its fees to co-managers which were set at 2½.

The 12-year Ireland bonds had pitched the pricing right with a coupon of 7⅜ on an issue price of 101⅝ and met with widespread demand among retail and institutional investors.

In contrast, SFr100m of bonds for Aegon, the Dutch insurance company, were tightly priced and carried the first 7 per cent coupon the market has seen since February. As a result, the issue was hard-pushed to keep a trading level within its fees.

The lead manager was quoting a trading level of less 1⅞ to less 1¼, but other houses were quoting a level outside that range.

The mood in the wider Swiss market is less bullish than it has been, although two deals which made their trading debut in the secondary market yesterday – CNT and City of Copenhagen – were trading at premiums to their issue prices.

An issue of ASch700m bonds marked the first time a foreign borrower had brought a deal with equity warrants attached to the Austrian market.

The deal for Omni Capital Markets, the Cayman Islands subsidiary of the Swiss company, was thought to have been swapped into Swiss francs and was not expected to trade widely.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
YEN						
Mitsui Real Estate Dev (a)‡◆	30bn	-50bp	100.10	1995	40/25bp	Nomura Int.
Lavoro Bank Overseas(b)◆	10bn	6⅞	101⅜	1995	1⅞/1¼	Daiwa Europe
Nordbanken◆	5bn	7	101.575	1993	1⅜/⅞	IBJ Int.
SWISS FRANCS						
Ireland(c)◆	150	7⅜	101⅝	2002	2½	Credit Suisse
Aegon NV(b)★★◆	100	7	101⅝	1995	1⅜	Swiss Bank Corporation
ECUs						
Swedish Export Credit(b)◆	50	11	101⅝	1991	1/⅝	Sanwa Int.
FINNISH MARKKA						
Kemira Int. Finance(b)◆	150	13½	101⅜	1993	1⅜	Postipankki
AUSTRIAN SCHILLINGS						
Omni Capital Markets(d)♦◆	700	9½	114½	1995	n/a	Girozentrale-Vienna

★★Private placement. ‡Floating rate notes. ♦With equity warrants. ◆Final terms. a) Coupon pays 50bp under Japanese long-term prime rate. b) Non-callable. c) Issue increased from SFr100m. Non-callable. d) Each Sch10,000 has 10 warrants to buy one Omni Holding share at SFr1,250 betweeen June 1990 and June 1992.

Issue uses French securitisation laws

By Stephen Fidler, Euromarkets Correspondent

THE THIRD bond issue under new French securitisation laws was announced yesterday.

The issue, which converts fixed-rate consumer loans into floating-rate bonds, will be jointly lead managed by Société Générale and Merrill Lynch, whose securitisation joint venture structured the issue.

The FFr900m in bonds, expected to be priced today at 1/16 percentage point over three-month Paris interbank offered rates, will be offered publicly both to investors in France and internationally.

Payment on the bonds, rated AAA by Moody's Investors Service, is protected by a subordinated tranche of FFr100m of bonds. As permitted under French law, Cetelem will buy this tranche.

The underlying loans were made by Cetelem, the Compagnie Bancaire subsidiary. They are expected to carry an average life of 1.74 years. The final maturity on the loans is 57 months, but the expected final maturity of the bonds is 42 months, because by that time only 5 per cent of principal is expected to remain outstanding and this would be bought back.

The fixed-rate loans have been converted into floating-rate funds through a novel amortising swap.

Secondary market moves into first place

Andrew Freeman finds illiquid Eurobonds providing a wave of profit for dealers to tap

The declining volume of new issue business on the Eurobond market is encouraging securities houses to pay attention to the long-ignored secondary market. The tendency for many Eurobonds to become illiquid – hard to buy or sell – provides opportunities for a low-volume, high-margin business which now makes up a significant proportion of the market's trading profits. But competition is growing.

Mr John Frith, head of dollar trading at Paribas Capital Markets, says: "In the old days of busy primary trading, clients found it harder to sell illiquid paper. Now, more and more players are looking at illiquid issues, and dealing spreads are much tighter."

Where traders used to expect an average profit of up to ⅜ point on each transaction, the typical margin has shrunk to between ⅛ and ¼ point.

In addition, the yield gap between comparable Eurobond deals by the same borrower perceived as liquid and illiquid has narrowed to an average of 10 to 20 basis points. In markets such as the US that are driven by credit considerations, the same issues would trade almost in line.

A perceived general lack of liquidity is an enduring problem for the Eurobond market. As bond issues move nearer to maturity there is an inevitable drying up of trading. In addition, successful new issues tend to be locked away. But for many investors, the entire market can be characterised as illiquid.

"For the biggest investors, all Eurobonds are classified as illiquid because the benchmark of liquidity is provided by government bond markets," says Mr Peter Luthy, a partner in the recently formed LBDP, an agency broking house specialising in illiquid securities. Investors which have liquidity as an absolute requirement should stick with the government markets.

One problem with illiquidity in the Eurobond market is that it is associated with high transaction costs. Market makers risking their capital to position securities tend to quote wide spreads, making it relatively unprofitable for investors to deal. Investors could optimise their portfolios by concentrating on liquid stocks which have lower transaction costs, but the higher yields on illiquid bonds might offset some of the benefit.

A general lack of liquidity is an enduring problem for the Eurobond market. As bond issues move nearer to maturity there is an inevitable drying up of trading. In addition, successful new issues tend to be locked away. But for many investors, the entire market can be characterised as illiquid.

Mr Luthy adds, however, that some of the traditional measures of liquidity can be misleading. Many small investors judge it by counting the number of market makers of a particular bond, reflecting their wish to protect the integrity of the prices at which they trade. In theory, more market makers mean tighter dealing spreads and better value.

Larger investors are protected from this worry by the greater muscle they can exert over intermediaries. Their chief measure is the ability to deal in large size. A bond issue might have only two market makers, but if there are narrow spreads for sizable lots then the deal is considered liquid.

Mr Luthy also points out that there are many ways of defining liquidity. For example, a typical over-priced Eurobond issue might be illiquid because nobody wants to buy the paper. By contrast, a successful IBM deal placed mainly with retail investors in Switzerland could be illiquid for lack of sellers.

This bid-side illiquidity is good for investors, but bad for market makers, which can find it very difficult obtaining stock to cover short positions.

A good example of how these different perspectives work in practice was provided by J.P. Morgan's innovative exchange offer last year for the Republic of Finland. The idea was to offer investors a chance to swap their supposedly disparate, illiquid issues into a single, benchmark jumbo deal.

In fact, investors had experienced little difficulty selling Finland bonds because of their scarcity value. Market makers had had a problem because they were unable to offer bonds in most of Finland's issues. They benefited from the introduction of the new benchmark. Many investors were persuaded to exchange their bonds only for the short-term yield pick-up and few cited illiquidity as the motive.

Houses active in the illiquid market are able to exploit investors' different requirements. An official at Bear Stearns, one of the leading specialists in the market, says there is steady demand from asset-hungry banks and investment managers.

Paribas' John Frith agrees: "The market is driven by supply. You have to locate a seller, but then it's relatively easy to find buyers."

Over the last year, the main source of paper has been Japanese investors selling bonds to take currency profits after the rise of the US dollar against the yen. These investors were not fussy about the price at which they sold their bonds because they were reaping a currency gain.

Similarly a few years ago, Swiss investors rushed to sell their holdings of US corporate bonds because of concerns about credit quality, and provided huge profits for players in the illiquid market.

What happens to the illiquid bonds when they are sold to an intermediary? An entire market exists for the re-packaging of such securities for asset swaps. For example, the huge volumes of Japanese equity warrant deals in 1989 produced steady business asset swapping the ex-warrant bonds.

Much of the paper, however, fills orders from investors which have specified a need for particular issue characteristics. LBDP makes its money by bringing together buyers and sellers of large blocks of at least 1m bonds. As an agency broker it charges a commission for obtaining more competitive prices than its clients could find by approaching a market maker.

According to Bear Stearns, there is also a sophisticated class of investment manager which exploits the characteristics of the illiquid market.

The new issue market for Eurobonds tends to be driven by swap levels which allow borrowers to lock in attractive funding rates. One result is that bonds are occasionally mis-priced and become illiquid soon after launch.

Once that happens, the bonds move rapidly from being over-priced to a point where they are under-priced and can be used for asset swaps. The fund managers step in to buy the bonds just above the price at which they know there is demand from the repackaging market. In this way, although they still bear market risk, they have limited downside on a spread basis because their holdings are underpinned by asset swappers.

Liffe aims at one exchange

By Deborah Hargreaves

MR DAVID Burton, chairman of the London International Financial Futures Exchange, is confident that at least one of the other London exchanges will join the market which will be created by the merger, currently under discussion, of Liffe and the London Traded Options Market.

In a speech to mark the launch of a new back office system developed by the International Commodities Clearing House, Mr Burton underlined Liffe's commitment to a joint exchange.

"The intention is to create one derivatives exchange, probably with a different name, with one elected board of directors, one chief executive, one chairman and one trading floor," he said.

His view is more sanguine than that of some members of the working party set up to decide the terms of a merger. These members expect LTOM to operate as an offshoot within Liffe, at least at the onset of the merger.

The working party is expected to draw up plans for a merger by the end of June and the two markets could become one by the end of the year. Liffe, which is the more profitable, is likely to have to bear most of the merger cost, which has angered some traders.

The two markets have different trading systems which it would be hard to integrate.

LTOM is discussing changes in its methods of trading which would bring it more in line with the way Liffe does business. LTOM is not reaching break even on its current trading levels.

Visa enters E Germany

By David Barchard

VISA International, the plastic card payment company, has entered the East German market.

Berliner Stadtbank, which has around 250,000 current account customers, is to offer Visa cards from the autumn.

Visa also announced its first significant inroad into the Swiss banking market with the news that Swiss Bank Corporation, the third largest Swiss bank, is to join.

Visa and the German banks have been at loggerheads for several years. More than 4,000 West German banks belong to the Eurocard/MasterCard payment system through GZS, an inter-bank joint payment organisation, while Visa has only 18 members, drawn from foreign or provincial banks.

In the past, Visa officials have privately accused the large German banks of running a cartel.

Banks in several north European countries, including the Netherlands, Switzerland, and Austria, tend to regard Visa as a threat to the Eurocheque payment system.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wednesday June 6 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Jun 5 Index No.	Mon Jun 4 Index No.	Fri Jun 1 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (199)	896.95	-0.4	12 95	5.06	9.35	16.08	900 64	900.28	897.27	964.11
2	Building Materials (27)	1110.97	-1.2	14 24	5.35	8.68	21.22	1124.19	1130.13	1128.52	1202.03
3	Contracting, Construction (36)	1401.58	-0 2	17.11	5.86	7.61	33.82	1403.84	1398.94	1384.07	1661.09
4	Electricals (10)	2593.35	+0.3	10.97	5.17	11.22	61.43	2585.65	2578.31	2561.95	2844.81
5	Electronics (29)	1882.37	....	9.66	3.94	13.40	19.83	1882.03	1873.75	1869.50	2264.43
6	Engineering-Aerospace (8)	489 88	-0 7	13.26	4.75	8.99	9.31	493 56	494.90	490.21	0.00
7	Engineering-General (43)	494.73	+0.4	11.62	5.12	10.40	8.40	492.73	494.03	491.09	0.00
8	Metals and Metal Forming (6)	486.20	-0.2	24.31	6.41	4.66	2.31	487.24	487.15	489.68	544.00
9	Motors (16)	359.77	+0.1	15.30	6.27	7.62	9.64	359.34	360.53	360.48	323.76
10	Other Industrial Materials (24)	1647.06	-0.8	10.76	4.84	10.73	33.09	1660.12	1654.75	1650.99	1556.24
21	CONSUMER GROUP (178)	1306.04	-0.2	9.28	3 83	13.34	17.96	1309 29	1308 01	1303.50	1206.80
22	Brewers and Distillers (21)	1596.54	-1.0	9.59	3.63	12.60	20.38	1612.80	1596.05	1598.09	1303.14
25	Food Manufacturing (20)	1102.49	+0.1	10 21	4 30	12.10	17.73	1101.08	1097.82	1096.14	1066.65
26	Food Retailing (16)	2496 51	+0.7	9.32	3.30	13.78	33.61	2478.86	2496 72	2528.64	2263.68
27	Health and Household (15)	2585.75	-0.3	6 66	2.67	17.88	24 15	2593.51	2577.93	2571.73	2199.96
29	Leisure (31)	1479 82	+0 3	9 96	4.18	12.22	23.99	1475 42	1476.00	1465.62	1646.19
31	Packaging & Paper (12)	603 36	-0 8	11.47	5 85	11.12	11 83	607.94	611.17	596.81	571.39
32	Publishing & Printing (16)	3460 86	-1.4	9 68	5 19	13.02	50.81	3510.54	3524.00	3459 64	3488 04
34	Stores (35)	823 11	-0.1	10 78	4 50	11 96	12.47	824 28	832.36	821.82	801.31
35	Textiles (12)	510.41	-0.1	12.39	7 00	10.34	16.06	510.89	514.48	503.16	529 69
40	OTHER GROUPS (105)	1181.58	-0 8	11.04	4.98	10.89	11.38	1190 54	1190.59	1185.15	1095.36
41	Agencies (17)	1661 54	-0 4	6 06	2.38	19.96	14.99	1667 72	1664 43	1661.61	1373.71
42	Chemicals (23)	1282 90	-0 6	10 98	5.16	10.65	31.08	1290 61	1292.15	1287.25	1258.14
43	Conglomerates (14)	1679.32	-0.7	10 04	5 89	11.97	14.41	1691.76	1685.33	1677.14	1574.37
44	Transport (13)	2247 22	-1.1	11.14	4 49	11.34	37.81	2271.73	2276 89	2269 06	2474.64
46	Telephone Networks(2)	1200 43	-1.5	10 87	4 58	11.97	0.00	1218.55	1218.72	1204.55	1063.53
47	Water(10)	1927 66	+0 2	18 08	7.03	6.13	0.00	1923.30	1935.73	1946 87	0 00
48	Miscellaneous (26)	1801.01	-0.2	12 25	5 01	9.31	19 15	1804 63	1805 63	1804 41	1587.38
49	INDUSTRIAL GROUP (482)	1178 32	-0 4	10 73	4 49	11.35	15.89	1183.60	1182.98	1178.53	1134.37
51	Oil & Gas (18)	2289 61	-1.5	12 39	5 43	10 66	46 43	2325 26	2345.02	2355.46	2027.69
59	500 SHARE INDEX (500)	1271.87	-0 6	10 95	4 62	11.26	18.34	1279 49	1280 40	1277.03	1210 29
61	FINANCIAL GROUP● (107)	812 53	-1 1	–	5 61	–	19.06	821 85	819.76	815.35	730 82
62	Banks (9)	876.80	-1.9	18.72	6.13	7 00	25 62	893 95	882 29	874.95	722.79
65	Insurance (Life) (7)	1421 58	-0.8	–	5 17	–	36.94	1432.81	1411 52	1393.67	1066.13
66	Insurance (Composite) (6)	694.08	-0.6	–	5.96	–	19.43	697 98	693.76	692.13	565.56
67	Insurance (Brokers) (7)	1054 24	-1 1	8.21	6.19	16 05	27.41	1066.42	1080.27	1097.09	977.79
68	Merchant Banks (7)	444 61	+0 2	–	4 46	–	4.85	443.63	442.21	440 04	334.29
69	Property (47)	1087.12	-0 9	8.27	4 30	15.51	10.86	1097.25	1131.33	1112.67	1302.29
70	Other Financial● (24)	303 07	+0.4	12.15	6.33	10 75	5 04	301 99	301.11	314 91	364.23
71	Investment Trusts (67)	1218 23	-0 3	–	3.20	–	13 32	1222.45	1221.31	1212.12	1134.55
91	Overseas Traders (5)	1419 03	+0 2	8 59	6 44	14 25	43 49	1415 53	1413 40	1412.61	1297 74
99	ALL-SHARE INDEX● (679)	1161 07	-0 7	–	4.73	–	18.29	1168 79	1168.99	1165.28	1091.69

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 5	Jun 4	Jun 1	May 31	May 30	Year ago
FT-SE 100 SHARE INDEX‡	2358 5	-21.6	2367.4	2354.5	2380.1	2379.0	2371.4	2345.1	2346.2	2117.9

FIXED INTEREST

	PRICE INDICES	Wed Jun 6	Day's change %	Tue Jun 5	xd adj today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.25	-0.23	115.51	–	5.25
2	5-15 years	121.10	-0.68	121.94	–	4.96
3	Over 15 years	123.44	-1.05	124.75	–	4.91
4	Irredeemables	142.32	-0.73	143 37	–	6.36
5	All stocks	121.14	-0.56	121.62	–	5.12
	Index-Linked					
6	Up to 5 years	145 46	-0.07	145.57	–	1.49
7	Over 5 years	138 31	-0 24	138.63	–	1.38
8	All stocks	138.73	-0.22	139.04	–	1.38
9	Debentures & Loans	98 21	-0.08	98.29	–	5.42
10	Preference	73.66	+0.40	73.36	–	2.99

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jun 6	Tue Jun 5	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	11 30	11.16	9.97
2		15 years	11.00	10.84	9.60
3		25 years	10.87	10.73	9.46
4	Medium Coupons	5 years	12.31	12.17	11.02
5		15 years	11.48	11.35	10.08
6		25 years	11.07	10.95	9.65
7	High Coupons	5 years	12.40	12.27	11.14
8		15 years	11.74	11.61	10.31
9		25 years	11.33	11.21	9.85
10	Irredeemables	†	10.77	10.69	9.47
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.16	5.12	4.00
12	Inflation rate 5%	Over 5 yrs.	4 16	4.14	3.81
13	Inflation rate 10%	Up to 5 yrs.	4.13	4.09	3.26
14	Inflation rate 10%	Over 5 yrs.	3.98	3.96	3.65
15	Debs & Loans	5 years	13.83	14.13	11.91
16		15 years	12.94	13.03	11.63
17		25 years	12.93	12.90	11.35
18	Preference	†	12.52	12.57	10.26

‡Opening index 2365 8; 9 am 2358 3; 10 am 2359.0; 11 am 2366.4; Noon 2362.6; 1 pm 2360.3; 2 pm 2358.8; 3 pm 2354.6; 4 pm 2359.9; 4.10 pm 2359.5; (a) 10.52am (b) 2.59pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	86	11
Corporations, Dominion and Foreign Bonds	0	6	18
Industrials	318	395	870
Financial and Properties	113	226	404
Oils	13	42	34
Plantations	0	0	10
Mines	38	34	92
Others	50	90	105
Totals	533	879	1,544

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	130	110	ABI Leisure 10p	130		R4.7	3.3	4.8	8.5
–	F.P.	–	59	58	‡Cahill May Roberts Ir10p	58		L024%	2.7	3.8	10.1
§50	F.P.	–	50	47	Castle Cairn Inv.	47	-1	–	–	–	–
–	F.P.	–	20	11	Do. Warrants	19	-1	–	–	–	–
100	F.P.	–	98	91	Dartmoor Inv. Tst. 10p	98		K9.8	–	13.3	–
50	F.P.	–	49	47	EFM Java Trust	48	-1	–	–	–	–
–	F.P.	–	26	18	Do. Warrants	26	+1	–	–	–	–
‡	F.P.	–	148	119	F & C Germany Inv. Tst.	125	-2	–	–	–	–
–	F.P.	–	64	48	Do. Warrants	50	-1	–	–	–	–
–	F.P.	–	46	28	First Philipp. Inv. Tst.	30	+1	–	–	–	–
–	F.P.	–	22	10	Do. Warrants	11		–	–	–	–
–	F.P.	–	14	7	Fisher (Albert) Wrrts.	7½	-1½	–	–	–	–
500	F.P.	–	99	95	French Property Tst	99		–	–	–	–
–	F.P.	–	39	32	Do. Warrants	38		–	–	–	–
135	F.P.	–	145	132	Invergordon Distillers 10p	143		–	–	–	–
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

... cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. a Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♥ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. B Units comprising 11 new ord. & 2 warrants. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings June 6
- Last Dealings June 15
- Last Declarations Sept. 6
- For settlement Sept. 17

For rate indications see end of London Share Service

Calls in Aviva Pet., British Gas, Gaelic Res., Hazlewood Foods, Isopad Intl., Ivernia West, Monument Oil & Gas and Oliver Res. Puts and calls in Anglo Pacific Res., Gaelic Res. and First Leisure.

LONDON TRADED OPTIONS

FT-SE 100 index futures maintained a strong lead over the stock market yesterday as a technical squeeze during the afternoon kept prices higher. The main feature of the traded options market was strong turnover in Sears, which continued to be boosted by takeover speculation.

Trading volumes in London's stock derivative markets were lower as the weaker performance on Wall Street, and the Derby horse race, discouraged investment. In the futures market, turnover was about half that of recent levels, while traded options declined from an already low base.

During the first half of the session, selling by arbitrageurs depressed the futures market, narrowing the gap between the June FT-SE contract and the cash index to 30 from 40 points.

Over recent weeks, arbitrageurs have been unable to take advantage of the difference between the futures and cash markets due to a lack of stock. Yesterday, the appearance of sellers of stock allowed the arbitrageurs to sell futures and buy shares, profiting from the difference between the two markets.

The June futures contract closed at 2,399, 24 points lower on the day, and at a premium of 40 points to the cash market, little changed from Tuesday. Total FT-SE futures turnover stood at 4,800, less than half the previous session's turnover.

In the traded options market, recent talk of a takeover prompted brisk activity in Sears, making it the busiest of the stock options.

Dealing was concentrated in calls, with some institutions selling against stock.

A total of 2,547 Sears contracts changed hands, of which 1,961 were calls and 586 were puts. The September 100 calls were the most active, trading 931 contracts. Other busy stocks included British Petroleum, which traded 2,010; Rolls-Royce, 2,010; British Gas, 1,265; and Guinness, 1,251. FT-SE options traded 6,777.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*509)	500	29	51	65	12½	19	23
	550	8	25	40	45	46	48
	600	3	12	21	93	93	93
ASDA (*114)	110	10	13½	19	4½	7½	10
	120	5	9	–	9	14	–
	130	2½	–	–	19	–	–
Unilever (*705)	700	29	54½	79½	14½	24	27½
	750	7½	–	–	46½	–	–
Ultramar (*338)	330	23	35	48	8	15	18
	360	8	20	32	25	30	32

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Amstrad (*68)	60	9½	13	15½	½	3	4
	70	2½	7	10	4½	8	9
Barclays (*409)	393	21	36	45	3	14	18
	429	3	15	27	25	30	30
Blue Circle (*237)	220	20	28	40	3	8	10
	240	6	17	24	8	15	20
British Gas (*220)	220	6	10½	17	4	11½	14
	240	1	3½	–	21	27	–

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit. Airways (*205)	180	29	36	40	1	2½	4
	200	13	21	26	5	8	10
	220	3½	11	16	17	18	19
Brit Aero (*539)	500	62	75	95	8	16	18
	550	29	42	62	25	35	38

[illegible]

Powerscreen up 26% but margins hit

By Jane Fuller

POWERSCREEN International, which makes and markets screening and crushing equipment, increased pre-tax profit by 26 per cent, from £11.55m to £14.55m, in the year to March 31 1990.

Sales came to £65.81m, a 47 per cent advance on the previous £44.88m.

Mr John Craig, chairman of this Northern Ireland based company since last August, said the growth followed a concentration of the group's efforts on waste recycling.

This had more than compensated for contraction in the UK construction industry.

Mr Barry Cosgrove, finance director, said margins were lower because of the build up of sales in continental Europe, the growing contributions from subsidiaries with lower margins than the original Powerscreen business, and rationalisation costs – including about 55 redundancies at Universal Conveyor, a recent UK acquisition.

The proportion of total sales derived from continental Europe almost doubled to 23 per cent. In the UK, the share fell from 42 to 30 per cent. North America accounted for 43 per cent.

The Powerscreen subsidiary, which makes screening equipment for such materials as sand, gravel and coal, saw sales grow from £35m to £37m. At Brown Lenox, which makes crushing equipment for quarrying and demolition, sales rose from £13.7m to £18.2m. Mr Shay McKeown, chief executive, said there was a growing demand for construction waste to be recycled because of the increasing cost of landfill sites.

Royer, which makes waste processing equipment, contributed £8.8m to sales in the first full year since its purchase in January 1989.

Mr McKeown said the debt-free group's production capacity had been increased through the purchase of Universal. The factories in Northern Ireland and the Republic could both be extended.

Earnings per share, fully diluted for the conversion of loan stock, advanced to 14.3p (12p) on a higher than expected tax charge. A final dividend of 3.59p makes a total of 5.04p (4.2p).

● **COMMENT**

Powerscreen has hit a rich vein in supplying niche markets for mobile plant in a variety of industries, and those markets are growing. Whether the material being processed is rubble or sewage, there is an increasing awareness of the need to dispose of it in a clean and compact manner. The push on the Continent has more than compensated for stodgy demand in the UK. The young management said that its new chairman had introduced "a greater degree of discipline." Perhaps the recent sale of Belleek Pottery (always a curious excursion) is a symptom of that. Profit for this year is forecast to rise to about £16.5m, giving a prospective p/e of less than 10 – a fair rating with scope to go up, especially if the group manages to get a "green" tag.

GPA rises 59% and heads for China

By Kieran Cooke in Dublin

GPA, the privately-held aircraft leasing group based at Shannon in the Irish Republic, has announced a 59 per cent rise in after-tax profits to US$242m (£143m) for the year to March 31 1990. Fully diluted earnings per share increased by 49 per cent to $42.

GPA also announced it had reached agreement to lease a fleet of new aircraft to an unspecified airline in China. "This is a significant breakthrough and is the first time the Chinese have participated in such a leasing arrangement", Mr Maurice Foley, the vice chairman said.

GPA has 240 aircraft on lease to 68 airlines in 41 countries. In addition it has 700 modern jet and turboprop aircraft on order for the 1990's. GPA says that credit facilities now stand at $5.8bn, of which only $2.2bn has been drawn down.

GPA's main shareholders are Mitsubishi Trust Bank (with 12 per cent), Aer Lingus and Air Canada. Japanese institutional investors have shown considerable interest in GPA recently. Mr Tony Ryan, who helped found GPA in the mid 1970's, retains an 8 per cent stake.

A public listing remained the group's "broad intention", possibly to take place in London before the end of next year, Mr Foley said. GPA's notional market capitalisation, based on a recent shares sale by Air Canada, is $8.9bn.

GPA has diversified in recent years and now handles a variety of aircraft-related services. It recently announced plans for an aircraft maintenance centre to be built at Shannon in a joint venture with Lufthansa and Swissair.

Maiden 39% expansion for ABI

THE FIRST set of public results produced by ABI Leisure shows it has increased its pre-tax profit by 39 per cent on turnover ahead 21 per cent.

ABI went public in February and the results cover the half year ended February 28 1990. The North Humberside-based company is the leading maker of caravans in the UK.

Turnover came to £33.38m (£27.69m) and the profit to £2.94m (£2.12m).

Mr George Shiels, chairman, remained confident that the £5.9m annual profit forecast in the prospectus would be achieved.

ABI had traded well in a period when testing economic conditions. were testing.

Progress was made in each area of activity - touring caravans for the UK and those designed especially for export markets, and leisure homes.

He added that currently there was little seasonal bias in profitability.

Earnings for the half year rose to 8.3p (5.7p).

The dividend for the year is expected to be in line with the forecast 3.1p.

Rodime reduces losses but still at top end of credit facilities

By James Buxton, Scottish Correspondent

RODIME, the disk drive maker based in Scotland, reported a small increase in turnover and a *modest reduction in losses* for the three months to March 31 1990, but said it was operating at the upper end of its credit facilities.

Turnover in the second quarter was $24m (£14.3m), up from $22m in the first quarter and $21.1m in the equivalent quarter of 1989.

Net operating loss at $3m was similar to the first quarter, but better than the $8.8m in the equivalent quarter of 1989.

After tax loss was $3.6m, compared with $4m in the previous quarter. The second quarter of last year suffered a deficit of $21.4m, including a non-recurring loss of $12m due to restructuring.

More recently, Rodime received $5m in cash and a 3 per cent stake in Profit Technology of the US, under the *sale of Rodime Systems, its* retail products business. It reported a gain of $1m net of expenses on the disposal in the second quarter, but this was offset by a bad debt provision of $1m in respect of Jasmine Corporation of the US which recently filed for bankruptcy acknowledging a debt to Rodime of about $2.5m.

Rodime used the cash proceeds from the sale to repay bank debt, but is still operating at the upper limit of its credit *facilities* due to continued investment in inventory to support the build-up of its new product lines. Last year Rodime was subject to a large scale financial rescue which left Bank of Scotland holding 19 per cent of its equity and advancing loans of over $42m.

Rodime, which carries out *large volume manufacturing* in Singapore, said the results reflected significant demand for its new 100 megabyte and 210 megabyte disk drives, and an easing of supply constraints. These products, aimed at the workstation and personal computer market, accounted for 51 per cent of revenue in the last quarter, against 6 per cent a year ago.

Rodime's lower capacity product lines are not cost competitive and the company is seeking ways of improving this. It is reducing output at its Glenrothes, Fife, plant in favour of Singapore and disposing of its printed circuit board assembly operations in Scotland.

Interest rates hit Fletcher King

A MUCH sharper than expected slowdown in activity in the second half lay behind Fletcher King's "disappointing" results in the year to April 30.

Mr David Fletcher, chairman of this commercial estate agent and surveyor, said that the 26 per cent decline in pre-tax profits from £2.88m to £2.12m was a consequence of the increasing impact of the Government's high interest rate policy on the property sector.

However, he said that in spite of the market uncertainties the company had carried out a significant level of business – turnover rose 9 per cent to £9.17m (£8.4m).

Earnings fell 27 per cent to 15.6p (21.5p) per share and, in view of the continuing uncertainties in the property sector, the directors are reducing the final dividend to 4.7p (6.3p) to make 9p (10.6p) for the year.

Expedier pays £8.8m for Space-Time Systems

By David Churchill, Leisure Industries Correspondent

EXPEDIER LEISURE, the USM-quoted corporate hospitality organiser, is buying Space-Time Systems which operates the First Call theatre bookings system, in a deal worth £8.8m.

Expedier, which plans to drop the "Leisure" part of its name with shareholder approval, also plans to raise £2.5m through a two-for-nine rights issue at 50p per share.

The money will be used to keep Expedier's borrowings down as well as to acquire outright the rights to major sporting events.

Gearing after these moves will be "under 50 per cent", according to Mr Conor O'Brien, chairman.

The Space-Time acquisition is part of Expedier's plans to give it greater credibility with organisers of sporting events, especially the leading golf tournaments.

"Organisers of these events want to make sure that ticketing arrangements are in responsible hands," said Mr O'Brien. "There have been too many examples recently of ticket arrangements for major events going awry."

Space-Time is forecast to make pre-tax profits of £1.25m for the year ending September 30 1990, compared with pre-tax profits of £648,000 last year.

In its last financial year to December 31 1989, Expedier more than doubled pre-tax profits to reach £1.25m on turnover up 61 per cent to £10.56m.

Sears chairman takes pay cut

By Maggie Urry

MR Geoffrey Maitland Smith, chairman of Sears, the retail group, took a cut in his annual pay from £229,977 to £221,530 in the year to end-January. The figure was shown in the group's annual accounts published yesterday.

The group suffered a 15.2 per cent fall in pre-tax profits to £231.4m in the year. Earnings per share were 11.1p (12.8p).

UK COMPANY NEWS

Shareholders wooed with higher-than-expected dividend of 10.07p

Thames beats forecast with £179m

By Clare Pearson

THAMES WATER, the biggest of the privatised water companies, yesterday signalled that it had its shareholders' interests at heart when it recommended a dividend payment bigger than that forecast in its flotation prospectus last autumn.

In an unexpected move, Thames said it would pay 10.07p per share, against an expected 9.72p. This comes on pre-tax profits slightly more than 5 per cent higher than forecast at £179.2m.

The profit growth was thanks mainly to rises in turnover, income from property sales and interest from short-term investments.

Thames' dividend decision contrasts with the announcement from North West on Tuesday. North West, the first water company to report on the year to end-March, declared a payment in line with the prospectus and profits also higher than forecast.

Mr Roy Watts, chairman, said Thames' payment reflected the company's desire to "provide shareholders with a growing return on their investment."

City analysts said the dividend move would set a challenging precedent for Thames. But it would not necessarily be imitated by other water companies, where the shares are already higher-yielding than those of Thames.

On a pro forma basis, assuming the post flotation capital structure had been in place since the start of the year, Thames would have made pre-tax profits of £187m. The gap between actual and notional profits is narrower than with the other water companies as Thames' debt write-off was lower.

The reported profit was down from £207.2m in 1988-89, but this was after operating costs of £453.2m (£370.1m). The increase included £15m for new services and £19m for new obligations, higher standards, and the cost of the corporate awareness advertising campaign.

Tony Andrews

Roy Watts: pressing on with development of non-core activities

Turnover was £611.5m (£557.6m). Property sales generated £11m (£18m). Pro forma earnings per share were 43.6p.

Thames shares closed up 1½p at 145½p.

Thames also sent a clear signal to the City yesterday that it intended to press on fast with development of non-core activities, not yet significant to the company. Mr Watts said this was essential to ensure long-term growth.

Negotiations are in train with Portal Holdings, the paper making company, to reduce the expected £30m purchase price of PWT, a loss-making business in water treatment design and contracting which last December marked Thames' first acquisition since flotation. PWT's asset values had turned out to be lower than indicated, Thames said.

PWT is expected at least to break-even in the current year. Thames also has interests in landscape contracting and hopes to move into waste management.

Thames is also embarking on a hefty programme of capital expenditure on its core water and sewage business budgeted to cost £400m this year.

See Lex

Ashley in £26m issue to finance Spanish buy

By Vanessa Houlder

ASHLEY GROUP yesterday announced a £26.3m rights issue to finance the acquisition of Dismo, a fellow Spanish food retailer. Its shares dropped 2p to 102p.

Ashley's other main activity is the distribution of window blinds in the UK.

Ashley is paying Pta 350m (£1.99m) for Dismo, which suffered heavy losses in 1989 due to heavy borrowings and mounting interest charges.

Dismo, established in 1961, has 56 stores in the Catalonia region, 19 stores in the Albacete region, south-east of Madrid as well as interests in stores in south eastern Spain and the Balearic islands.

Mr Tony Butler, chief executive of Ashley, said the acquisition was a major step towards developing Digsa, its existing retailer, into a leading Spanish supermarket. The two companies are to be integrated at a cost of about £5m. Ashley is at present the second largest supermarket chain in Spain, although it has a negligible market share.

Ashley was attracted to Spain because of its buoyant economy and fragmented market, he said. By making acquisitions and opening new stores it would obtain economies of scale and greater buying power.

Ashley had an advantage over many Spanish retailing chains because it had access to stock market funding, whereas Spanish retailers, none of which are quoted on the Madrid Stock Exchange, pay interest rates as high as 18 per cent, he said.

In addition, Ashley's management, which stems partly from Dee Corporation, (subsequently known as Gateway before being acquired by the newly-formed Isoceles Group) benefited from its experience of highly consolidated UK store groups, he said.

Dismo incurred a pre-tax loss of Pta 218m in 1989, although it made a trading profit of £1.8m. Net assets at the year end were £2.3m and borrowings were £15.8m, which will be refinanced by Ashley Group.

Ashley is offering 31.6m shares on the basis of 1-for-4 ordinary shares and 5-for-16 preference shares.

UK side slows down Erskine House to just 3% growth

By Vanessa Houlder

ERSKINE HOUSE Group, the photocopier and facsimile machine distributor, yesterday announced a 3 per cent increase in pre-tax profits from £15.1m to £15.59m for the year to March 31.

Earnings per share – which takes account of an 18 per cent increase in the shares in issue – fell from 22.3p to 19.7p.

Mr Brian McGillivray, chairman, said the results were disappointing in that they did not reach group targets. "This was due principally to poor performances in parts of the UK business. Overseas, the US and West German companies produced excellent results."

There was also a sharp increase in interest charges from £2.08m to £7.37m.

The downturn in the UK operating profit from £8.9m to £5.7m stemmed from a combination of problems at Quest International, which sold computers to the USSR, its UK photocopier business and its typewriter, word processor and personal computer sales.

Quest, which was bought 18 months ago, incurred losses after computer sales suffered from economic difficulties in the USSR and the effects of perestroika. Many unknown organisations, headed by unknown individuals, were placing orders and it was often difficult to judge whether they would be in a position to deliver the payment, said Mr McGillivray.

The company decided to withdraw from the business and its losses and disposal costs were responsible for £4.51m of the extraordinary item. The closure of its typewriter and word processor business, together with profit on the sale of Erskine Fire and the sale of its pest control business made a total extraordinary charge of £4.93m (£1.68m credit).

The problems in its photocopier business were focused on Erskine Communications, which underwent a major reorganisation and changed its principal product from Konica to Ricoh. The move, in an attempt to raise margins, resulted in tough competition with Konica.

In the US, operating profits doubled to £16.1m on turnover up 84 per cent to £122.4m. West German operations produced operating profits of over £1m.

A final dividend of 4.35p was proposed, making a total of 6.65p (6.25p) for the year.

COMMENT

After the shares' headlong plunge in April, when the company issued a profits warning, yesterday's results left the City little moved. Profits were much as expected although some analysts highlighted the point that Erskine had swept all its losses from Quest into the extraordinary item, thus improving the bottom line. But if Erskine has a credibility problem, it does not stem from its accounting policies. It is more the perception that it has brought many of its current difficulties upon itself. The reorganisation of its UK business and its switch from Konica to Ricoh photocopiers may pay dividends in the long term, through improved efficiency and higher margins. However, in the short term, it has lost morale and taken on tough competition from Konica at a difficult time for the office machine business. These problems are partially balanced by promising performances in Germany and the UK and the company is expected to clear £17m this year. Assuming it does, the shares, down 3p to 120p, are on an understandably low p/e of 6.5.

Bass agrees sale of remaining Crest hotels

By Philip Rawstorne

Bass, the brewing and hotels group, yesterday announced that it had reached agreement in principle for the sale of four Crest hotels in Amsterdam to Buckingham International, hotels and nursing homes operator.

The deal will complete Bass' disposal of the Crest chain of hotels, most of which were sold last month to Trusthouse Forte for £300m.

The cash consideration involved in yesterday's sale will not be disclosed until after completion.

Under another agreement, Buckingham is to locate and develop hotels which can be operated as part of the Bass Holiday Inn International chain in Spain, Portugal and the UK.

Buckingham currently operates one Holiday Inn as a franchisee in Portugal and has a second under development in London, apart from other hotels in the US, Portugal and the Channel Islands.

Mecca replaces finance chief

By David Churchill, Leisure Industries Correspondent

MECCA LEISURE, the troubled UK leisure group which the Rank Organisation is seeking to buy for £506m, yesterday moved to strengthen its defences by replacing its finance director and adding two new non-executive directors to its board.

Mr Robert Nellist, who left Thorn EMI as finance director last year to "pursue his private interests", has joined Mecca as group finance director.

He replaces Mr Jeremy Long, who had been combining the role of finance director with his recent appointment as deputy chief executive.

A Mecca spokesman said the move had been planned for some time and was not a result of the Rank bid. However, City analysts last night suggested that the move was linked to Mecca's high gearing following the takeover of Pleasurama in late 1988 for £750m. The rise in interest rates had cost more than Mecca expected and forced analysts to re-rate Mecca and other leisure stocks.

The new non-executive directors are Mr Ian McIntosh, deputy chief executive of Samuel Montagu, and Mr David Keys, chairman of HFC Bank.

Mr McIntosh is also a member of the Takeover Panel which, although he will not be involved, is expected to decide by tomorrow whether or not Rank's interpretation of its offer for Mecca's preference shares is within the Panel's guidelines.

Rank's pre-condition for its offer was that the Panel did not regard Mecca's preference shares as ordinary equity. This is because the Rank offer of 75p for the preference shares is higher than the equivalent offer for Mecca's ordinary shares.

If the Panel rules against Rank, then the offer for the preference shares would be worth 56.1p rather than 75p.

French interest for Astra's PRB

By Lucy Kellaway in Brussels

TWO FRENCH munitions companies have expressed their interest in bidding for the nearly bankrupt Poudreries Réunies de Belgique (PRB), the weapons business owned by Astra Holdings of the UK.

The two companies – Groupement Industriel de l'Armement Terrestre and Société Nationale de Poudres et des Explosifs – yesterday told the Flemish economics ministry that they would like to buy the whole company.

Such an offer would come as a relief to Belgium's three regional governments, which have been trying to form a rescue plan that would allow PRB to stay in business.

It would also come as a relief to Astra, which has been trying to sell its troubled subsidiary.

Mr Norbert de Batselier, the Flemish economics minister said yesterday he had no intention of putting any money into the company, and argued that the present reconstruction plan – under which PRB was to be bailed out with the help of the regions – was insufficiently clear on the relationship between PRB's suppliers, its shareholder, and its bankers.

The minister said he had invited the two French companies to discuss a new rescue plan today with him and with the PRB trade unions, which have recently been protesting against the closure of the company, which would entail the loss of 1,300 jobs.

A Brussels commercial court is due to give an opinion on whether PRB can get legal protection to carry on its business. On Friday an emergency loan of BFr350m (£5.98m) was granted by Société Générale de Belgique, which sold PRB to Astra last September.

Astra claims it was led to believe that PRB would make a profit of £2m in 1989, whereas it actually incurred a loss of closer to £12m.

Rush & Tompkins

Ballast Nedam Construction, has bought further assets of Rush & Tompkins from the receivers. North Midlands construction activities just acquired are in addition to operations purchased last month in the north, south-east, south-west.

ICM recommends £14.2m Swiss offer

By Clare Pearson

INTERNATIONAL Colour Management, manufacturer of computerised colour control systems, yesterday said it was recommending a £14.2m cash offer from Brauerei Eichhof, a diversified Swiss company with its roots in brewing.

The 124p per share bid, which was foreshadowed in February when ICM revealed it was in takeover talks, triggered a 30p rise in the share price to 119p.

There is a full loan note alternative to the cash offer.

Brauerei Eichhof, which also has interests in beer, soft drinks and laboratory equipment, owns two colour management companies which are competitors of ICM in Europe and the US respectively.

Mr Graham Anderson, ICM's finance director, said: "We feel we need financial support which obviously the UK stock market is not giving us at the moment." He said Eichhof was the party referred to in February although ICM had considered approaches from others.

ICM has warned that pre-tax profits for the current year would be lower than last time's £1.84m. After a sharp rise in interest charges, the interim loss was £1.71m (£666,000).

Eichhof in 1989 achieved group sales of SFr151.2m (£62.7m), against ICM's £21.3m turnover, and since the year-end has added Applied Colour Systems, the US company, to Data Colour, its existing colour management operation.

ICM joined the main market shortly after the stock market crash of October 1987 at a price tag of 85p per share.

Sanderson Murray buys motor dealers

In a significant diversification move Sanderson Murray & Elder (Holdings), Bradford based wool buyer and topmaker, has conditionally agreed to acquire a number of motor dealerships from Avis Europe for £3.45m.

The acquisition mainly comprises a number of Rover Group dealerships based in Newcastle-under-Lyme, Lancaster and Newcastle-upon-Tyne, being subsidiaries of C.D. Bramall, which was acquired by Avis in October 1987.

Profit before tax of the acquisitions for the year ended February 28 1990 was £815,000, on a combined turnover of £32.4m. Total net assets were £5.77m.

The deal is to be financed by a £1m term loan and the balance from group reserves.

Sanderson has reserved the right to satisfy £330,001 of the consideration by the issue of 188,572 new ordinary shares to the vendor, which it is proposed will be placed for cash at 175p per share with Mr Tony Bramall, chairman of Bramall.

Dagenham Motors

Dagenham Motors has acquired 50 per cent of the ordinary shares of Brownings Electric Company, electrical and mechanical engineering specialist. Consideration is £450,000, of which £100,000 is to be satisfied by the issue of 136,986 ordinary. Dagenham is providing a £250,000 medium-term loan for expansion and has the option to acquire the balance after 5 years.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Body Shop	fin	1	-	0.5625*	1.825	1.688*⁂
Caffyns	fin	6.5	-	6.5	11.5	11.5
Elec'components	fin	4.3	Sept 4	3.6	6	5.07
Erskine House	fin	4.35	-	4.35	6.65	6.25
Fletcher King	fin	4.7	Oct 1	6.3	9	10.6
Johnson & Firth	int	1	-	0.8	-	2.6
Powerscreen	fin	3.59	-	3	5.04	4.2
Reed Intl	fin	9.4	Aug 7	8	14	12
Thames Water	fin	10.07‡	Oct 1	-	10.07	-
United Drug §	int	1.75♣	-	1.585	-	5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡9.72p was forecast. ⁂For 17 months. ♣Irish currency.

NEWS DIGEST

Emess sells Sovereign for £8.6m

MITSUBISHI PENCIL, a leading Japanese maker of writing instruments, has paid £8.6m cash for the business and assets of Royal Sovereign, the stationery, graphic products and distribution subsidiary of Emess.

Mitsubishi Pencil plans to develop the brands acquired – which include Blick, Magic Marker and Stephens – alongside its UNI brand products. It will also introduce additional products to use Royal Sovereign's distribution network to expand operations in Europe.

Royal Sovereign's pre-tax profits totalled £1.4m for the year ended December 31 1989, when its net assets stood at £500,000.

Caffyns falls from £2.06m to £0.7m

Caffyns, the motor dealer, saw its pre-tax profit fall from £2.06m to £664,000 in the year ended March 31 1990.

However, the final dividend is held at 6.5p for a same-again total of 11.5p. Earnings slumped from 53.3p to 12.5p.

The directors said the whole motor trade was suffering from high interest rates, and the reduction in new car sales was more marked in the south, where the company operated, than in the north.

Turnover fell marginally to £130.92m (£131.73m). Gross profit improved by £500,000 but that was wiped out by a £1m increase in other operating charges, and interest costs rose to £1.65m (£1.28m). Exceptional profit this time was £372,000 (£905,000).

Chemoxy tops £1.4m after Suter takeover

Chemoxy International, the distiller and chemical manufacturer now controlled by Suter, lifted pre-tax profits from £1.06m to £1.44m in the year to March 31.

Suter, the industrial holding company, gained control of Chemoxy at the end of March when it spoke for 52.08 per cent. On April 25 it spoke for 97.76 per cent and intended to compulsorily acquire the remaining shares. The Suter offer was recommended by the Chemoxy board in the wake of an unwelcome bid from MTM.

Turnover rose to £14.88m (£11.49m) and earnings totalled 35.2p (27.5p) per share.

Kembrey advances 17% to £429,000

Kembrey, the electrical precision components and foundry products group which in December reversed into USM-quoted Coated Electrodes International, has reported a 17 per cent increase in pre-tax profits to £429,000 for the year to March 31, against £367,000.

Turnover amounted to £19.81m (£19.53m) and operating profit consisted of £247,000 (£196,000) from Coated Electrodes and £775,000 (£647,000) from Kembrey Group. Net interest payable was £337,000 (£232,000). The comparisons have been adjusted.

After an extraordinary debit of £316,000 (£120,000), earnings per share came out at 1.02p (0.36p). The board hopes to restore dividends "in the not too distant future".

Since the year-end Kembrey has agreed the sale of property to British Gas, for completion on June 19. The disposal is expected to generate a capital gain of £2m, and would leave the company with a cash surplus.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Crown Communications, RCO, Willoughby's Consolidated.

Finals- Boots, Century Oils, Fashion & General Investment, Hunter Saphir, Lancs, New Throgmorton Trust (1983), Northern Foods, Oxford Instruments, Pilkington, 600 Group, Sanders & Sidney, South West Water, Thornton Pacific Investment Fund, Yale & Valor.

FUTURE DATES

Interims-

Craton Lodge & Knight	June 13
Davenport Vernon	June 12
Devenish (J.A.)	June 12
Flexello Castors & Wheels	June 14
Moorfield Estates	June 12

Finals-

Acal	June 11
In Shops	June 28
Lovell (G.F.)	June 11
Renold	June 18
Smith New Court	June 14
Tinsley Robor	June 11
Wellman	June 22
Wessex Water	July 2

PUBLIC WORKS LOAN BOARD RATES

Effective August 12

Years	Quota loans repaid by EPI†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPI†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			14⅛			14⅞
Over 1 up to 2	13⅞	13⅞	13¼	14⅞	14⅞	14
Over 2 up to 3	13½	13⅜	12¾	14½	14⅜	13½
Over 3 up to 4	13⅛	13	12½	14⅛	14	13¼
Over 4 up to 5	12⅞	12¾	12⅜	13⅞	13¾	13⅛
Over 5 up to 6	12¾	12⅝	12⅜	13¼	13⅛	12⅞
Over 6 up to 7	12½	12½	12¼	13	13	12¾
Over 7 up to 8	12½	12⅜	12¼	13	12⅞	12¾
Over 8 up to 9	12⅜	12⅜	12¼	12⅞	12⅞	12¾
Over 9 up to 10	12⅜	12⅜	12⅛	12⅛	12⅞	12⅝
Over 10 up to 15	12¼	12⅛	11½	12¾	12⅝	12
Over 15 up to 25	11¾	11⅜	11¼	12¼	11⅞	11¾
Over 25	11¼	11⅛	11⅛	11¾	11⅝	11⅝

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Three of the year's acquisitions help boost profits to record £302m

Reed pleases City with 11% rise

By Raymond Snoddy

REED INTERNATIONAL, the publishing and information group, yesterday announced record pre-tax profits of £302m for the year to March 31. This was an increase of 11.4 per cent and at the high end of City expectations.

"Our results demonstrate notable success from our strategy of concentrating on the cash-generative publishing and information business," said Mr Peter Davis, chairman and chief executive.

Mr Davis had warned that the 1989-90 financial year would be the second year of consolidation following Reed's drastic transformation from a conglomerate – encompassing everything from newspapers and magazines to packaging and paper production – into a pure publisher.

"In fact we've done better than that. I think these are strong results," he said.

Operating profits from continuing activities were up 49 per cent to £276.9m and operating cashflow rose 77 per cent to £232m. There was an increase in earnings per share of 11 per cent to 38.2p (34.5p). The board has recommended a final dividend of 9.4p (8p) bringing the total for the year to 14p – up 17 per cent. Reed shares fell 15p to 435p on the day.

The acquisitions during the financial year, worth nearly £1bn, contributed £62m in operating profits. Indeed part of the group's strong performance is explained by better-than-expected results at three of them – the Travel Information Group and Martindale-Hubbell in the US and TV Times in the UK.

"Our commitment now is to the steady earnings growth pattern we promised," Mr Davis said.

However further acquisitions are likely this year and the company has between £500m and £750m available without taking on what it would regard as unacceptable levels of debt.

"I would be surprised if we don't make two or three small to medium-sized acquisitions in Europe in the course of this financial year," Mr Davis said. The areas involved are likely to be consumer magazines, directories, legal publishing and, possibly, regional newspapers.

Peter Davis: commitment now to steady earnings growth

Reed is also trying to attract more US shareholders – its US businesses account for 40 per cent of the £1.58bn (£1.55bn) group turnover – through a new American Depository Receipt programme sponsored by Citibank. Trading will start later this month.

However the company has lost one high profile US shareholder during the year – Mr Rupert Murdoch, chief executive of News Corporation. Mr Murdoch, who in November held 3.8 per cent of Reed, has, in batches, sold his complete holding.

Mr Eric de Belaigue, publishing analyst at stockbrokers Panmure Gordon, rated Reed's performance as "pretty good" but said the company might have to wait another year before moving to rapid growth because of the comparatively hostile economic environment.

"It looks like quite a challenge to get to £302m this year," he said Mr Belaigue. The year after, he believes "could be quite an exciting time for them".

See Lex

Johnson & Firth Brown rises 21% to £60.2m

JOHNSON & Firth Brown, the Sheffield-based metals and engineering group, lifted pre-tax profits by 21 per cent from £4.7m to £5.7m in the six months to end-March.

This result was achieved on turnover up 15 per cent from £52.17m to £60.16m and was helped by receivable interest of £264,000, compared with a charge of £312,000 last time.

The company has been involved in litigation with its former auditors. The matter was settled out of court in May and, after costs have been finalised and paid, the second half results would benefit by some £2m, the directors said.

The group's product specialisation and international spread of markets have enabled it to avoid the worst effects of the UK economic slowdown, they said, and they were confident of a satisfactory second half.

After an increased tax charge of £1.24m (£992,000) earnings per 10p share came out at 3p (2.5p) and the interim dividend is being raised to 1p (0.8p).

United Drug

United Drug, Irish-based distributor of pharmaceutical and consumer products lifted turnover from I£24.88m to I£28.53m (£26.89m) in the six months ended March 31 1990, while the pre-tax profit rose from I£958,000 to I£1.15m, or £1.08m. The interim dividend is 1.75p (1.585p).

Electrocomponents rises 11% to £58m on the back of RS

By Jane Fuller

ELECTROCOMPONENTS, the distributor of electronic and electrical components, pushed up pre-tax profit by 11 per cent to £58.6m (£52.7m) in the year to March 31, in spite of difficulties in the UK retail market.

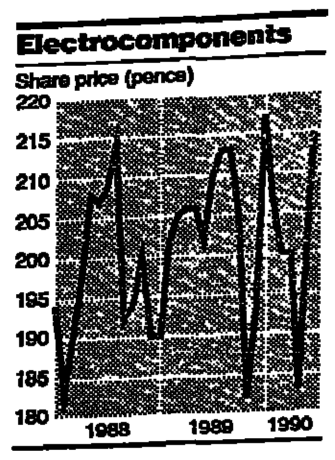
Sales advanced more slowly to £394.4m (£380.9m) in a year which saw the sale of the franchised components business and part of the lighting activities.

About 60 per cent of turnover and 97 per cent of operating profit in the continuing businesses came from RS Group, which its parent says is the UK's leading distributor to industrial companies.

Mr Robert Tomkinson, finance director, said the group planned to take RS into West Germany next spring. This would help to build up non-UK sales, currently at about 30 per cent of the total.

Misco, the other core catalogue-based business selling to the commercial market, did well in established European territories – West Germany and Italy, for example. In Spain start-up costs led to a small loss. The business was expanding into Canada and Sweden through acquisitions.

The Misco operation dipped into the red in the US because of severe competition. Mr Tomkinson said this was being tackled by bringing it under the control of the European management.



Competition in the US had also led to a difficult year for Mesa, which distributes computer peripherals and computers to the security industry.

Because of the downturn in UK retailing, particularly at DIY stores, the Electrolighting subsidiary had suffered a loss. Although management changes had been made, the outlook remained dim until interest rate pressure came off customers, Mr Tomkinson said.

After capital expenditure of £12.5m, the group's net cash amounted to £17m. It was expanding RS's warehouse and offices at a total cost of £21m, as well as installing a new computer.

An exceptional profit of £2m was made on property sales.

Earnings rose to 18.4p (16.6p). The final dividend of 4.3p makes a total of 6p (5.07p).

The share price gained 9p to close at 215p.

● COMMENT

Electrocomponents is in the process of returning to its catalogue distribution core, RS and Misco, after painful attempts at diversification. It will have come full circle if it can also sell the retail division and possibly Mesa. So, with the group refocused on its healthy core, the best prospects for growth lie in driving the RS business into new geographic areas. The test for management will be how well it reinvests the cash stream to achieve this end. Pre-tax profit this year is forecast to approach £64m, which gives a prospective p/e of 10.8. The RS business alone is thought to justify the share price and some would argue for a rerating. Others are not moved by the thought that the group's parts are worth more than its whole.

TVS sells Ardmore stake

By Raymond Snoddy

TVS ENTERTAINMENT has sold its majority stake in Ardmore Studios in the Irish Republic to Windmill Lane Pictures in a deal worth around £1m.

TVS, the south of England ITV company, acquired the 63.33 per cent stake in the loss-making studio as part of its $320m purchase of MTM, the US independent producer.

Windmill Lane has bought the studios because it has the franchise to launch a third television channel in Ireland, TV3, and Mr James Morris, chief executive of Windmill Lane Pictures, said the Ardmore Studios would provide much needed capacity for TV3.

Hoskins makes £104,000

Hoskins Brewery made a pre-tax profit of £104,000 in the year ended March 31 1990 on turnover of £2.15m.

That compared with £448,000 previously, which included a £420,000 property profit, on sales of £2.16m.

Earnings were 1.78p (7.48p).

The company now had an estate of 11 public houses, all of which would be trading for a full 12 months in the current year.

That had started encouragingly, the directors said, and volume gains and better retail profits were expected.

Following the Monopolies and Mergers Commission report into the brewing industry, the directors felt good opportunities would arise to acquire further outlets.

Willis Faber denies it may cut links with UNISON network

By Patrick Cockburn

THE UK insurance broker Willis Faber is expected to withdraw from the important international broking network UNISON following its decision to merge with US broker Corroon & Black, according to Johnson & Higgins of New York with which Willis was formerly closely linked.

In London, however, this was contradicted by Willis Faber, which said yesterday that a change in its relationship with Johnson & Higgins did not mean it would drop its links with other members of UNISON.

According to Johnson & Higgins: "The arrangement in UNISON is that each firm agrees not to compete on the ground in each other's home country.

If Willis owns Corroon & Black it will be in direct competition."

Responding to this, Mr Robins said that UNISON members had already established retail broking operations in each other's markets.

Johnson & Higgins said that a fifth of its total revenues in 1989 came through UNISON. The US company said it now expected UNISON to look for another partner in London to replace Willis.

Earlier in the week Willis had said it would be looking for new links in Europe to gain more on the ground business. This could again put it in conflict with present members of UNISON.

In practice, however, Willis emphasised yesterday, there would be no abrupt severing of links with either Johnson & Higgins or UNISON and most clients would be serviced as they had in been in the past.

Mr Peter Stevens, head of corporate affairs at Willis, said yesterday: "We have, in effect, taken UNISON's name off our visiting cards." However, he added that relations with members of UNISON other than Johnson & Higgins would remain much as before.

In spite of the break with Willis, Johnson & Higgins values UNISON for providing a European network which it needs to service clients. It may therefore seek to reconstruct the organisation with a new UK partner and a greater role for European brokers Jauch & Hubener in West Germany and Gras Savoye in France.

Levercrest makes £5.5m USM placing

By Vanessa Houlder

LEVERCREST, a maker of playground equipment and safety surfaces, is joining the unlisted securities market in a £5.47m placing.

Guidehouse Securities is placing 1.7m shares at 108p per share, which represents 33.5 per cent of the company's enlarged capital.

The company was set up in 1982 by Leslie and Ann Cluer to manufacture playground equipment and street furniture such as benches and litter bins. It has since expanded into rubber safety surfacing for use in playgrounds, which is now the fastest growing part of its business.

Its main customers are local authorities, about 40 per cent of which have installed Levercrest's products. Orders are also received from restaurateurs, employers and motorway service stations.

In the year to March 1990 it made a pre-tax profits of £702,000 on turnover of £5.31m. It had net tangible assets at that date of £242,000.

UK SHARE OWNERSHIP DISCLOSURE

On Friday June 1, provisions of the Companies Act 1989 came into force requiring an investor owning 3 per cent or more of a UK public company to declare this ownership. The previous level at which disclosure had to be made was 5 per cent. The Financial Times will be printing a summary of Stock Exchange announcements of disclosures of holdings of between 3 per cent and 5 per cent. Announcements in today's table include some made on Tuesday and those made yesterday for which space permits inclusion. Further tables will appear each day this week. Those announcements crowded out today will appear tomorrow.

KEY
The companies in which the stakes have been disclosed are shown in bold.
For each, the names of the investors are followed by the shares they hold, in thousands, and the percentage this represents of the company's total shares outstanding.

A J Archer Holdings
Sun Life Assurance 725 (3.14%)

ASDA Group
Provident Mutual Group 35,989 (3.08%)
Prudential Portfolio Managers 42,518 (3.62%)
Schroder Investment Management 42,351 (3.61%)
Scottish Widows Investment Management 55,479 (4.73%)

ASDA Property Holdings
Sun Life Assurance 1,812 (3.17%)

Abbott Mead Vickers
Scottish Amicable Investment Managers 385 (4.25%)

Adscene Group
Kleinwort Benson Investment Management 634 (4.28%)

Adwest Group
Wardle Storeys 2,580 (3.96%)

Allied Insurance Brokers Group
J O Hambro Investment Management 475 (4.83%)
St Andrew Trust 400 (4.07%)
Throgmorton USM Trust 300 (%)

Amber Industrial Holding
3M Pension Investment Management 180 (4.59%)

American Trust
Barclays Bank 2,718 (3.30%)

Amersham International
Barclays Bank 2,077 (4.05%)
Confederation Life Group 1,740 (3.39%)

Anglo United
Barclaytrust International 9,985 (4.01%)
Electra Investment Trust 10,000 (4.02%)
Globe Investment Trust 7,628 (3.07%)
Guiness Mahon Holdings 8,470 (3.41%)
John Govett 10,025 (4.03%)
Pearl Group 10,834 (4.36%)
Prudential Corporation 12,306 (4.95%)

Ansbacher (Henry) Holdings
ADT 6,524 (3.49%)

Armitage Brothers
Coutts & Co Trustee 175 (4.35%)
Mars Security 198 (4.98%)
Mrs Irene Margaret Dodd 159 (3.97%)
Mrs Kathleen Mary Stone 121 (3.03%)
Nottingamshire & District Mines' Pension Schm121 (3.03%)

Aspen Communications
Globe Investment Trust 550 (4.32%)

Associated Energy Services
Hanover Nominees 1,371 (4.95%)
Northgate Finance Corporation 900 (3 24%)

Aztec
Eagle Star Insurance 293 (-%)
Littledown Nominees 11,150 (-%)

BAA
Scottish Widows Group 16,800 (3.32%)

Baggeridge Brick
Kleinwort Benson 1,612 (4.08%)

Baillie Gifford Technology
Pilkington 400 (3.53%)

Bank of Scotland
Abu Dhabi Investment Authority 27,405 (-%)

Beckenham
Robert F M Adair 1,407 (3.12%)

Bett Brothers
Dundee & London Investment Trust 534 (3.58%)
Executors of Albert Andrew Bett 553 (3.89%)
Executors of John William Bett 620 (4.14%)
Prudential Assurance 624 (4.16%)

Blackwood Hodge
Schroder Investment Management 8,062 (4.91%)

Blenheim Exhibitions
Financiere Truffaut 1,118 (4.90%)

Bostrom
British Aerospace Pension Funds 370 (%)
Grahams Rintoul Investment Trust 360 (3.05%)
Ralston Investment Trust 350 (%)
Rolls Royce Pension Fund 447 (3.89%)
Sun Alliance Pensions 350 (3.05%)
Sun Alliance Unit Trusts 384 (3.35%)

Bowater
Bank of Scotland - (3.48%)
Pearl Group - (3.30%)

Braime (TF & JH) Holdings
A Barnes 18 (3.70%)
J Harwood 18 (3.70%)
P M Braime 16 (3.20%)

Braime (TF& JH) Holdings
Manor Associates 23 (4.50%)

Braithwaite
Gartmore Investment Management 502 (3.52%)

British-Borneo Petroleum Syndicate
Clerical Medical & General Life Assurance Soc200 (-%)

Brown & Tawse Group
NatWest Investment Bank 972 (3.03%)

Bryant Group
Standard Life Assurance Company 9,021 (4.36%)

Buckingham International
Globe Investment Trust 4,000 (3.32%)

Bullough
Electra Investment Trust 3,650 (3.09%)
Norwich UnionLife Insurance Society 5,211 (4.41%)
Sun Alliance & London Assurance 4,046 (3.43%)

Bund
Norwich Union Life Insurance Society 14,973 (3.67%)

Burtonwood Brewery
Allied Breweries 1,037 (4.96%)

CRT Group
Throgmorton & Framlington Investment 1,375 (3.13%)

Cabra Estates
Mr John Duggan 4,250 (4.42%)
Norwich Union Fund Managers 3,642 (3.79%)

Cala
Martin Currie Investment Management 1,340 (3.79%)

Canning (W)
Credit Suisse Buckmaster & Moore 874 (3.11%)
Guardian Royal Exchange 1,218 (4.34%)
Norwich Union 1,165 (4.15%)
Postel Investment Management 1,292 (4.60%)

Cater Allen Holdings
Kuwait Investment Office 745 (3.84%)

Chillington Corporation
Framlington Group 389 (4.70%)

City of London PR Group
Mars Security 255 (3.32%)

Clarke Hooper
Morgan Grenfell Group 491 (3.26%)
South Tyneside Metropolitan Borough Council 540 (3.60%)

Clayhithe
Prudential Assurance 722 (4.21%)
Scottish Investment Trust 650 (3.79%)

Clinton Cards
Finimmo 520 (3.06%)

Close Brothers Group
Co-operative Insurance Society 1,375 (3.71%)
Commercial Union Life Assurance Company 1,515 (4.09%)
Scottish Investment Trust 1,250 (3.37%)
Sun Alliance & London Assurance Company 1,263 (3.65%)

Clyde Petroleum
Globe Investment Trust 14,524 (4.53%)

Coats Viyella
Prudential 21,755 (4.13%)

Commercial Union
Munchener Ruckversicherungs Gesellschaft 13,914 (3.25%)

Conrad Continental
Barclays Bank 507 (3.84%)
Mars UK Pension Fund 653 (4.96%)
National Westminster Bank 435 (3.30%)

Continental Assets Trust
Western United Group 799 (3.69%)

Crystalate Holdings
GT Management 1,000 (3.17%)

Dagenham Motors
Prudential 747 (4.65%)

Daks Simpson Group
Merchant Navy Officers Pension Fund 49 (4.95%)

Darby Group
Rolls-Royce 515 (3.63%)

Dawson International
Schroder Investments Management 6,436 (4.13%)
Scottish Widows 4,951 (3.18%)

De Morgan Group
Eagle Star Pension Funds 646 (3.67%)

Densitron International
RX Pensions 600 (3.70%)
Rolls-Royce 700 (4.32%)
Throgmorton Trust 674 (4.16%)

Derby Trust
Commercial Union Assurance 405 (3.42%)
Midland Bank 400 (3.38%)

Dewhurst
Prudential Assurance 150 (4.16%)
Royal London Mutual Insurance 120 (3.33%)

Dobson Park Industries
Norwich Union 4,692 (3.96%)

Drayton Consolidated Trust
British Coal Pension Funds 1,085 (-%)

Druck Holdings
Barclays Bank 260 (4.12%)

Dudley Jenkins Group
Mars Security 221 (3.69%)

Dukeminster
Barclays Bank 2,603 (3.28%)

Dunedin Income Growth Investment Trust
General Accident 1,257 (4.00%)
Pearl Group 1,300 (4.10%)

Dunedin Worldwide Investment Trust
Postel Investment Management 1,280 (3.81%)
Schroder 1,437 (4.30%)

EFG
L A G Bone 550 (3.65%)
R J Bone 550 (3.65%)

Edinburgh Oil & Gas
Dundee & London Investment Trust 630 (3.96%)
Hanover Nominees 680 (4.95%)
Mr AA Bissett 408 (3.00%)

Eldridge, Pope & Co
Mrs Patricia Lee Salt 48,880 (3.20%)

Electrocomponents
Co-operative Insurance Society 7,165 (3.40%)

Electra Investment Trust
Scottish Widows 4902 (3.20%)
Standard Life 6,196 (4.11%)

Electric & General Investment
Equitable Life Assurance Society 4,425 (4.69%)
Legal & General Investment Management 2,880 (3.26%)

Electrocomponents
B A T Industries 6,900 (3.36%)

Eliza Tinsley Group
Mrs Margaret Ann Eddy 302 (4.20%)

Ellis & Everard
Scottish Amicable Investment Managers 2,424 (4.16%)

Erith
Britannic Assurance 1,570 (3.28%)
Colonial Mutual Life Assurance Society 1,460 (3.59%)
Nikko Fraser Green 1,725 (4.13%)

Expamet International
Framlington 2,182 (4.89%)

Europa Minerals
Morgan Grenfell Group 1,896 (4.49%)

European Colour
Mars UK 1481 (4.99%)
Mr John J Armitage 1,005 (3.36%)

European Home Products
Fidelity Investment Services 2,089 (4.05%)
Invesco MIM 2,044 (3.96%)
London Life 2,025 (3.93%)
Prudential Portfolio Managers 1,773 (3.43%)

Expamet International
Pearl 1,579 (3.39%)

FKI
Phillips & Drew 127,728 (4.01%)

Fairey Group
Martin Currie Investment Management 1,410 (4.26%)
Prudential Insurance 1,597 (4.84%)
Scottish Eastern Investment Trust 1,000 (3.03%)
TSB Group 1,048 (3.17%)

Ferrum Holdings
Schroder Unit Trusts 824 (4.1%)

Fifth Throgmorton
Laurence Keen 2,445 (4.14%)

Filofax
Barclays Bank 685 (4.78%)

Fired Earth Tiles
Friends Provident 242 (4.24%)

Fitch Lovell
Martin Currie Investment Management 3,365 (3.35%)

Flagstone Holdings
MGM Assurance 6,600 (4.78%)

Fleming American Investment Trust
Robert Fleming Investment Trust 2,675 (4.04%)

Fleming Claverhouse Investment Trust
Robert Fleming Holdings 968 (4.78%)

Fleming Enterprise Investment Trust
Fleming Investment Trusts Savings Plan 1,198 (3.00%)
Sun Life Assurance Society 1,530 (3.83%)

Fleming European Fledgeling Investment Trust
Al-Mojil Establishment 1,512 (3.75%)
Albright & Wilson Pension Investment 1,350 (3.35%)
International Trust Company 1,239 (3.07%)
Robert Fleming Investment Trust 1,742 (3.62%)
Save & Prosper Global Portfolio Fund 1,548 (3.80%)

Fleming Far Eastern Investment Trust
Royal London Mutual Insurance - (3%)
Standard Life Assurance 5,916 (3.91%)

Fleming Fledgeling Investment Trust
Buckinghamshire County Council 450 (3.58%)
Fleming Investment Trusts Savings Plan 389 (3.09%)

Fleming Japanese Investment Trust
Postel Investment Management 2,426 (3.16%)

Foseco
Barclays Bank 3,563 (4.23%)
Britannic Assurance 3,599 (4.28%)

Fuller, Smith & Turner
Overbrook Nominees 731 (-%)
Scottish Amicable Investment Managers 951 (-%)
Whitbread Investment 878 (-%)

Gaskell
St Andrews Trust 218 (4.60%)

Gerrard & National Holdings
Garantia Banking 1,805 (4.73%)
Pearl Assurance 1,550 (4.06%)
Quantum Overseas 1,525 (4.00%)
Scottish Mortgage Trust 1,882 (4.57%)

Gibbs Mew
Mr A C F E Shrubb - (3.33%)
Scottish Amicable Investment Managers 190 (3.44%)

Glaxo
Robert Fleming Holdings 45,168 (3.02%)

Gleeson (M J) Group
Sun Alliance 300 (3.00%)

Gleeson (MJ) Group
Scottish Amicable Investment Managers 45 (4.63%)

Glynwed International
Britannic Assurance 10,180 (4.97%)

Govett Oriental Investment Trust
National Westminster Bank 3,685 (4.08%)

Govett Strategic Investment Trust
National Westminster Bank 3,539 (4.37%)
Pearl Group 2,983 (3.05%)
Standard Life 4,354 (4.44%)

Grainger Trust
Wesleyan Assurance Society 750 (3.77%)

Guinness
Norwich Union 34,372 (3.91%)

H T Hughes
South Yorkshire Pensions Authority 750 (3.01%)

Halma
Barclays Bank 3,797 (3.80%)

Hammerson Property Investment & Development Corporation
Postel Investment Management 1,168 (3.24%)

Hampden Homecare
Kleinwort Benson 585 (3.77%)

Hanover Druce
Chequepoint Express 190 (3.09%)

Hardanger Properties
British Rail Pension Trustee Company 242 (3.25%)

Hardys & Hansons
Sun Alliance 186 (4.15%)

Hazlewood Foods
Friends Provident 6,455 (3.09%)
Invesco MIM 7,208 (3.41%)

Headlam Group
Mars Security 404 (4.06%)
Mr D W Tabinor 362 (3.64%)
Mr R W S Haynes 377 (3.79%)
Postel 310 (3.11%)

Helical Bar
Phillips & Drew Fund Management 500 (%)
Royal Bank of Canada 800 (4.83%)

Hepworth
Britannic Assurance 7,048 (3.84%)

Hewden Stuart
Co-operative Insurance 6,342 (3.00%)

Hewitt (J) & Son
Mars UK Pension Fund 167 (4.95%)

Hewitt (J) & Sons
Invesco MIM 125 (3.70%)

Heywood Williams Group
Equitable Life Assurance Society 2,508 (4.76%)
Robert Fleming Holdings 1,784 (3.38%)

Hickling, Pentecost
Mars Security 296 (4.61%)
Monsanto Pension Plan 275 (4.29%)

Hickson International
Pearl Assurance 3,447 (3.23%)

Higgs & Hill
Confederation Life Group 1,193 (3.60%)

Highcroft Investment Trust
UK Land 199 (3.67%)

Hopkinsons Holdings
Barclays Bank 2,424 (3.87%)
Britannic Assurance 2,250 (3.59%)
Norwich Union 2,202 (3.51%)

Howden Group
Barclays Bank 3,923 (3.72%)
British Rail Pension Trustee 4,910 (4.65%)
Robert Fleming Holdings 4,905 (4.64%)

Hunterprint Group
Globe Investment Trust 730 (3.84%)
Martin Currie Investment Management 758 (3.87%)

ISA International
B A T Industries 1,037 (3.55%)
Royal Bank of Scotland 1,075 (3.68%)

Ibstock Johnsen
British Telecom Staff Superannuation Scheme 9,129 (-%)
Island & South American Merchants 7,631 (-%)

Inoco
C N I M Smaller Companies 208 (4.63%)
Citicorp Venture Capital 2,243 (4.99%)
DRG Pension Fund 135 (3.00%)
Mars UK Pension Fund 223 (4.95%)

Intercare
I A P Lee 75 (0.80%)
M A Radnor 44 (0.50%)

International Business Communications
Bank of Scotland 1,175 (3.09%)
Invesco MIM 1,978 (-%)
Phildrew 1,832 (4.81%)
Provident Mutual 1,169 (-%)

International Colour Management
Friends Provident Life Office 350 (3.16%)

Invergordon Distillers Group
Electra Investment Trust 4,932 (3.89%)

Invesco MIM
Integritas Trust Management (Cayman) 9,938 (4.12%)
London & Manchester Assurance 8,000 (3.30%)

Isopad International
Pearl Group 345 (3.17%)

J Sainsbury
A E Alexander - (3.00%)
CTS Stone - (4.00%)
Lady Liza Sainsbury - (4.00%)
Lord Sainsbury of Preston Candover - (3.00%)
The Hon Timothy AD Sainsbury MP - (3.00%)
Van Helmer Trustee - (4.00%)

Jermyn Investments
Mars UK Pension Fund 79 (3.95%)

Johnson & Firth Brown
Phillips & Drew Fund Management 6,057 (4.30%)

Johnson Group Cleaners
Britannic Assurance 585 (3.08%)

Jones & Shipman
Kleinwort Charter Investment Trust 580 (4.78%)
National Westminster Bank 481 (3.95%)

King & Shaxson
South Yorkshire Pensions Authority 585 (4.33%)

Kingsgrange
MIM 997 (3.20%)
Murray Johnstone 975 (3.16%)
Universities Superannuation Scheme 1,310 (4.20%)

Lawtex
Mars Security 198 (4.68%)

Legal & General Group
Prudential Corporation 15,850 (3.29%)

Leigh Interests
Scottish Amicable Investment Managers 1,855 (3.19%)

Lendu Holdings
Mars Security 494 (3.86%)

Lex Service
Norwich Union Life Insurance Society 3,516 (3.77%)

Lilley
B A T Industries 5,665 (3.99%)
British Airways 7,144 (4.95%)
Globe Investment Trust 7,100 (4.92%)
Imperial Group 4,736 (3.22%)
London & Edinburgh Trust 4,714 (3.20%)
Prudential Corporation 5,167 (3.51%)

London International Group
Powerstock 6,685 (4.94%)

London Securities
London & Gloucester Investments 2,175 (3.60%)

Lowe Group
Norwich Union Fund Managers 786 (3.03%)

Mansfield Brewery
Scottish Amicable Investment Manager 708 (-%)

March Group
Sun Life Pensions Management 1,418 (4.87%)
Sunlife Pensions Management 1,418 (4.87%)

Marshalls
Norwich Union Fund Managers 3,389 (3.59%)

McKechnie
Barclays Bank 2,876 (3.70%)
Britannic Assurance 3,395 (4.38%)
Invesco MIM 2,438 (3.14%)
Prudential Portfolio 2,805 (3.61%)

Mecca Leisure Group
National Westminster Bank 9,631 (3.05%)

Metsec
Norwich Union Life Insurance Society 659 (4.35%)
Standard Life Assurance 584 (3.84%)

Mezzanine Capital & Income Trust
Abby Life 450 (3.00%)

Mezzanine Capital & Income Trust
Mim & Invesco Mim 550 (3.67%)

Michael Page Group
Baillie Gifford & Co 220 (3.60%)
Compagnie Financiere De Paribas 2,921 (4.90%)

Microfilm Reprographics
John A Redmond 1,350 (3.71%)
Legal & General Assurance Society 1,403 (3.86%)

Midsummer Leisure
Guardian Royal Exchange 2,822 (4.98%)

Midsummer Leisure
Guardian Royal Exchange 2,822 (4.98%)

Mitie Group
Mars Security 394 (4.74%)

[illegible]
John R Beasley 1,401 (4.50%)
Philip J Hatton 1,311 (4.20%)

Molyneux Estates
Mr H S Lewis 550 (3.03%)

More O'Ferrall
Independent Newspapers 1,275 (4.98%)
Provident Mutual Life Assurance 800 (3.13%)
Provident Mutual Life Assurance Association 800 (3.13%)
Sweetwater Investments 1,275 (4.98%)

Morrison (William) Supermarkets
Martin Currie Investment Management 2,000 (-%)
Prudential Corporation 6,126 (-%)

Mowlem (John)
National Westminster Bank - (3.06%)
Sun Life Assurance Society 3,192 (-%)

Murray Enterprise
Pearl Group 245 (4.06%)

Murray Ventures
Colonial Mutual Life Assurance 986 (4.03%)
London & Manchester Group 880 (3.59%)

National Home Loans Holdings
Legal & General Investment Management 4,600 (4.46%)
M & G Group 5,023 (4.87%)

Neotronics Technology
Barclays Bank 945 (3.87%)

New Cavendish Estates
Bank of England Pension Fund 860 (-%)
Laurentian Financial Group 615 (4.40%)

New Zealand Investment Trust
Sphere Investment Trust 495 (4.96%)

Nobo Group
BAT Industries 395 (3.75%)
Morgan Grenfell Group 393 (3.73%)
NatWest Investment Bank 450 (4.27%)

Norman Hay
Prudential Corporation 748 (4.98%)

Northern Foods
Invesco MIM 8,573 (-%)
Prudential Corporation 7,144 (3.21%)

Ocean Wilsons (Holdings)
New Frontiers Development Trust 1,400 (3.53%)

P & O
Guardian Royal Exchange 13,798 (3.35%)

Padang Senang Holdings
Mars Security 225 (4.64%)

Philip Harris Holdings
Imperial Group 240 (-%)
National Westminster Bank 374 (-%)

Property Security Investment Trust
Abbey Life Investment Services 3,435 (3.42%)

Pelan
Kleinwort Benson Group 730 (3.30%)
Midland Group 787 (4.00%)

Radamec Group
British Rail Pension Trustee 868 (4.82%)
Commercial Union Life Assurance 759 (4.11%)
Royal Exchange Trustee Nominees 700 (3.80%)

Radio Clyde
Midland Bank 231 (3.67%)

Readicut International
Mr James Haigh 6,113 (3.22%)
Norwich Union Life Insurance Society 6,274 (3.30%)

Resort Hotels
Standard Life Assurance Company 6,780 (3.28%)

Richards
Framlington Group 672 (3.78%)

River & Mercantile American Capital & Income Trust
Queen Anne's Gate Asset Management 1,200 (3.20%)

River & Mercantile Trust
Cornhill Insurance 1,500 (4.97%)
Dartmoor Investment Trust 2,000 (3.31%)
National Provident 1,250 (4.14%)
Norwich Union 1,995 (3.21%)
Norwich Union Life Insurance Society 1,935 (3.21%)
Pearl Assurance 2,916 (4.83%)
Sun Life Assurance 2,916 (4.83%)

Ropner
Lisa Cleone Vyvyan 215 (3.29%)
Roger James Winter 322 (4.92%)
Simon Jock Willis Ropner 215 (3.29%)
Sophia Sally Ropner 215 (3.29%)
TR Trustees Corporation 245 (3.74%)
William Guy David Ropner 274 (4.19%)

Rowe Evans Investments
Batu Kawan Berhad 1,551 (3.42%)

STC
Prudential Corporation - (3.02%)

Sanderson Electronics
National Westminster Bank 393 (4.68%)

Scapa Group
Norwich Union 7,062 (3.94%)
Pearl Group 5,780 (3.22%)

Scottish Investment Trust
Standard Life 12,629 (4.97%)

Second Alliance Trust
Postel Investment Management 737 (3.64%)

Shaw (Arthur)
Harley Facilities 318 (-%)
Mr D I Crammond 62 (-%)

Sherwood Group
Bank of Scotland 684 (4.25%)
Framlington Group 1,809 (5.19%)

Sinclair (William) Holdings
British Rail 627 (3.92%)
Confederation Life 692 (4.33%)

Speybank
Kleinwort Benson 807 (3.11%)

Sphere Investment Trust
Sun Alliance 4,254 (3.51%)

St David's Investment Trust
Arbuthnot Latham 182 (4.45%)
M & G Group 200 (4.88%)
Mrs Patricia Vickers 156 (3.80%)
Peter William Pegler 130 (3.17%)

Strong & Fisher
NatWest Investment Bank 802 (3.20%)

Sun Alliance Group
Guardian Royal Exchange 38,927 (4.92%)

Sunset & Vine
Globe Investment Trust 246 (4.65%)

Tate & Lyle
British Arkady (Holdings) 15,944 (4.96%)

Telfos Holdings
Royal Trust Asset Management 1,129 (4.72%)

Temple Bar Investment Trust
London & Manchester Assurance 2,787 (4.80%)

The Singapore Para Rubber Estates
Mars Security 517 (4.95%)

Thorntons
Gillian Harman 2,430 (3.86%)
Jeanette Sandra Harcus 3,015 (4.18%)
John Michael Jelly 2,008 (3.19%)
Joseph Stanley Thornton 1,888 (3.00%)
Peter Norman Thornton 2,071 (3.29%)
Rosemary Chambers 2,831 (4.50%)

Tottenham Hotspur
Sun Life Assurance 350 (3.44%)

Towles
Malcolm H D McAlpine's 1960 Trust 70 (-%)

Trillion
Guardian Royal Exchange 2,400 (4.11%)
Scottish Investment Trust 2,298 (3.93%)

Trimoco
Byrom House Nominees 3,700 (4.77%)
Scottish Amicable Investment Managers 3,278 (4.22%)
T Cowie 3,720 (4.79%)

Tudor
Dennis Harold Harbon 249 (4.45%)
Hanover Nominees 273 (4.87%)
Joyce Florence Harbon 244 (4.36%)

UK Land
TR Property Investment 198 (4.62%)

Ultramar
Morgan Grenfell Group 12,885 (3.49%)
Robert Fleming Asset Management 11,312 (3.07%)

Union Discount
M & G Group 583 (3.08%)

Union Discount Company of London
M & G Group 583 (3.08%)

Union Square
A G P Whitfield 2,578 (4.00%)
R I Tanner Ditchley Foundation (4.25%)
170 Electric & General Investment (150%)
3.78 Miss C M H Wills (165%)
4.13 Mr J R S & Mrs P Bell (253%)
3.69

VTR
DRG Pension Fund 285 (3.84%)

Value & Income Trust
Sun Alliance 795 (3.94%)

Vaux Group
Chandris (London) 13 (3.48%)
Norwich Union 4,304 (3.17%)

Vickers
Commercial Union 30 (4.00%)
Norwich Union 9,783 (3.77%)

Vinten Group
F R Group 1,444 (4.10%)

Waddington (John)
Framlington Group 2,791 (3.52%)
Norwich Union Fund Managers 3,820 (4.82%)
Schroder Investment Management 3,863 (4.87%)

Wardle Storeys
British Rail 1,200 (4.91%)
British Rail Pension Trustee Company 1,200 (4.91%)
Credit Suisse Buckmaster & Moore 958 (3.90%)

Wates City of London Properties
Martin Currie Investment Management 5,063 (4.15%)

Watson & Philip
Abbey Life 482 (3.04%)

Welsh Water
Sun Life Assurance 4,689 (3.25%)

West Industries
Johnson Matthey 1,300 (3.13%)
Mr Robert Earl Percy Bilton (349%)
3.35 Mr & Mrs Angel (693%)
3.16 G T Management (625%)
3.36 General Consolidated Investment Trust (British%)
3,400 4.95 (Sun%)
2,334 3.40 (Burgess%)
5,435 3.75 (Merchant%)
3,919 3.10 (Bishopsgate%)
727 3.30 (British%)
507 3.10 (Gartmore%)
522 3.20 (Gartmore%)
522 3.20 (RX%)
8,646 4.00 (Prudential%)
10,631 4.48 (Framlington%)
325 5.70 (Postel%)
17,125 5.01 (Britannic%)
308 4.84 (Imperial%)
250 3.95 (%)

Yorklyde
Bank of Scotland 240 (-%)
M & G Investment Management 205 (-%)
NFU Mutual Insurance 180 (-%)

Young & Company's Brewery
R H Young 189 (4.30%)

BUSINESS LAW

A review of the code governing management buy-outs

By Paul Walker

IS THE management buy-out an abuse of the executive directors' access to privileged information about their company, or is it a welcome alternative to an outside bid? Amendments on management buy-outs recently made to the City Code on Takeovers and Mergers were designed to offer greater protection to shareholders. It is arguable, however, that they may not be in shareholders' best interests.

In June 1989, the Investment Committee of the National Association of Pension Funds (NAPF) produced a discussion paper dealing with the significant conflict of interests possible in all buy-outs of quoted companies. The paper was published shortly after the management buy-out of Magnet plc, one of a recent series of successful and large management buy-outs in the retail sector, including MFI and Lowndes Queensway.

The NAPF Committee's concerns covered three general areas: (a) the lack of equality between information made available to shareholders and that available to the management's financial backers; (b) the need for a three-year profit forecast and return on capital forecast in order to assess the value of the target company; and (c) the need for the buy-out to contain a mechanism which relates the price paid by the management to the company's performance in respect of those forecasts.

The Committee also focused on the need for independent advice to shareholders on the terms of the management's offer, and suggested the creation of an "Adviser to Shareholders."

The discussion paper prompted talks between the *Institutional Shareholders'* Committee – representing insurance and pension funds, merchant banks, investment and unit trusts – and the Takeover Panel. In December 1989, the ISC produced its own paper and the Panel published changes to the Code which, it stated, could usefully be made to increase the protection for shareholders in management buy-outs.

This is the first occasion that all the major institutional investing groups have co-operated through the ISC in liaising with the Panel. That the substance of the NAPF proposals – the need for independent advice and equality of information – has survived the discussion process confirms the benefits of joint consideration.

On the need for independent advice, the Panel has not taken up the suggestion of an Adviser to Shareholders, but has amended Note 1 to Rule 3.1 to stress the importance of the appointment of an independent adviser to the offeree board.

It would report first to the board, which would in turn be responsible for reporting to the shareholders.

The ISC guidance also suggests that it would be inappropriate for a buy-out team to employ the company's existing advisers unless the independent directors felt that shareholders would be best served by this arrangement, or, indeed, recommend a change of advisers.

It is difficult to imagine a situation in which independent non-executive directors would wish to dispense with the services of the offeree's existing financial advisers who, in the absence of the executive directors, may be the only people with a real understanding of the value of their company.

This highlights the subject of equality of information. The new note 8 on Rules 19.1 to 19.4 provides that any information generated by the offeree company that is passed on to the management buy-out's prospective source of finance (whether equity or debt) should be available to any other potential bidder.

This will enable the market to reassess the value of the target in the light of the company's own projections, but, if the potential offeror is also an industry competitor, it may be furnished with valuable confidential information which will still be of use if the bid is unsuccessful.

Additionally, new Rule 19.6 provides the independent directors and the company's advisers with a right to require the buy-out team to furnish it promptly with all information which it has supplied to its financial backers. No distinction is made between information generated by the management team as company officers and that produced for the purposes of the buy-out, but only the former has to be made available to potential bidders.

The new Rule will serve to protect the independent directors of an offeree board by giving them the full picture of the potential of the company. None of these amendments is good news for the management buy-out team.

There is an argument for saying that if the disclosure of the team's turnaround projection results in a higher valuation on the company, and the team is forced to increase its offer, the team would, in effect, be purchasing its own increased profitability. The company should be valued on existing projections, excluding the added value that a successful buy-out might bring. The team may be unable or unwilling to pay the increased offer price.

But this also begs the question whether the value of the management's projections belong to the company or to the management. It could be argued that the management are in breach of their fiduciary duties to act *bona fide* in the interests of the company if they do not deliver this added value to the existing shareholders but allow conflicts of interest and duty to arise.

Further consideration should be given by the Takeover Panel to the nature of the information which is required to be given to competing offerors who are also industry competitors. Information relating to company management accounts and projections, passed to a financial backer by the management team, is not information which a competing offeror should be entitled to examine. In future, the buy-out team will have to review all information passed to its financial backers if it wishes to avoid disclosure of future policy to competitors.

The role of directors in a bid is also affected by the new amendments. A new note 4 on Rule 25.1 provides that if an offer is a management buy-out or similar transaction, a director will have a conflict of interest if it is intended that he would have any continuing role in the offeror or offeree should the bid succeed.

If so, the director may not remain on the board to advise the company on the offer. Thus, the independent directors should not envisage that they would or could have any continuing role with the company if the bid succeeded.

The amendments to the code do not address the issues of the desirability of three-year profit forecasts proposed by the NAPF committee and the mechanisms for supplementary payments based on such forecasts. Three-year forecasts create unrealistically harsh burdens for directors.

If institutional investors suggest supplementary payments based on the company's performance, they should be prepared to pay back the proceeds of sale if the company performs below the projected value at which it is sold. The ISC wisely observed that post acquisition performance payments should be a matter for individual offerors.

Two points emerge from this discussion of the amendments to the Code. Firstly, it can be fairly argued that the new rules only reflect best practice and the general law as to directors' fiduciary duties.

Arguably in the past management buy-out teams have paid too little attention to the inherent conflict that arises in management making a bid to the company.

There must, however, be a risk that management buy-out teams will be deterred from making a bid if they feel that their ideas will be disclosed to competing bidders. It would not benefit shareholders to lose a potential bidder – unless they could persuade the management team to perform as well for the existing owners. The second point is that it is an open question as to why aggrieved institutional shareholders have not made better use of the protection that is available to them in the context of the general law as to directors' fiduciary duties.

Unlike institutional investors, management buy-out teams do not have a common representative voice, nor a collaborative structure for discussion with the Takeover Panel.

While the amendments which have been made to the Code are designed to afford shareholders greater protection, they have in some instances made the task of the management buy-out team increasingly difficult to the extent that there may in certain cases be one less suitor for the company.

The author is a partner of City solicitors Laurence Graham.

Oil prices stay depressed as US stock levels rise

By Steven Butler

WORLD OIL prices remained close to 18-month lows yesterday following a large increase in US crude oil and refined products held in primary storage reported late on Tuesday.

Although Brent crude prices opened significantly lower on the International Petroleum Exchange in London, much of the early loss was recovered when the New York Mercantile Exchange opened higher.

However, traders said that the bounce in prices reflected technical factors which suggested that they could move lower again.

The July forward contract for Brent crude oil closed up 5 cents in European trading at $15.67¼. Dated cargoes (for deliver in less than 15 days) were trading close to $14.50.

At the Nymex, the July futures contract for West Texas Intermediate Crude was trading up 18 cents at $16.86 in midday trading.

The rise in US stock levels provided further evidence that there had been no significant slowdown in oil production the the Organisation of Petroleum Exporting Countries following a meeting early last month where pledges were made for a 1.45m barrel a day cut.

Crude oil stocks rose by 2.53m barrels last week, according to the weekly report of the American Petroleum Institute, touching an eight-year high at 384m barrels. This compares with 345m barrels a year ago.

Distillate stocks were up by 4.05m barrels to 104m barrels, while gasoline stocks rose by 2.32m barrels to 217m barrels.

Refinery utilisation, meanwhile, fell slightly to 88.2 per cent of capacity, reflecting deteriorating refining margins.

Sugar market 'to remain tight'

By Richard Mooney

THE WORLD sugar market is likely to remain tight in spite of recent adjustments to assessments of the 1989-90 supply/demand balance, according to C. Czarnikow, the London trade house.

Recent sugar brokers' reports, including one issued by Czarnikow itself, have indicated smaller supply deficits than had been forecast previously. F.O.Licht, the respected West German sugar statistics agency, actually switched to forecasting a surplus in its report issued last week.

Czarnikow says in its monthly Sugar Review, published today: "Some of the adjustments which have recently been made to assessments of the 1989-90 balance may have diminished the market's immediate concerns about supply prospects, but it remains to be seen whether world prices have yet reached a [high enough] level to induce a basic change in the [deficit] relationship which has now existed for some five seasons between production and consumption."

It notes that even recent high world prices have not so far appeared to provide sufficient incentive for sugar industries to invest in expansion.

"No doubt the higher cost of finance is an additional factor deterring large new commitments," it says, "but for the most part the length and severity of the low price cycle during the mid-1980s proved to be a traumatic experience for many producers.

"As a result many are no doubt reluctant to take any action which might bring about even a partial return of those depressed conditions."

The report also points out that consumption is continuing to move ahead each year and that high prices "do not yet appear to have placed much restraint on offtake.

"Given this combination of caution by producers and continuing demand growth, the anticipated level of world carry over stocks still leaves a relatively narrow margin with which to meet any major crop problems, should they occur in the coming season.".

In its Sugar Situation review, published earlier this week, E.D.&F.Man, another London trade house, said that although a change in assessments of the supply/demand outlook and expectations of addition supplies in the coming season (1990-91) had further depressed sentiment, "a longer-term downward trend is unlikely to be established until supplies are more readily and consistently available."

The review said preliminary indications for the 1990-91 season showed a small surplus. "These are based on a 700,000-tonne increase in the EC production, improvements in a host of east European countries and better outturns in South America and the Far East," it explained.

On the 1989-90 season Man said the final figures for some key countries were still subject to revision. Its estimate last month that Indian production would total 10.2m tonnes had already been overtaken by mid-May, after an unexpected surge in production. It suggested that by the end of the season the Indian total might have reached as much as 10.9m tonnes.

Bulgaria's politicians woo the land workers

Judy Dempsey on agriculture's importance in a country's first free poll for 60 years

BULGARIA'S long-neglected agricultural sector has little chance of improvement unless the country's new Government expands private ownership of land, increases investments in irrigation, machinery and training and upgrades the social status of the farming community.

This is the consensus among many of the political parties standing in Sunday's first free elections for nearly 60 years. So far, however, no party is prepared to commit itself to lifting any restrictions on land ownership or is willing to say how the sector should be funded.

Instead, the ruling Bulgarian Socialist (communist) Party, the Union of Democratic Forces, a loose coalition of 16 political groupings, and the Bulgarian Agrarian Union, once an arm of the communist party, have concentrated their election campaign on simply winning the votes of the country's 2m land workers.

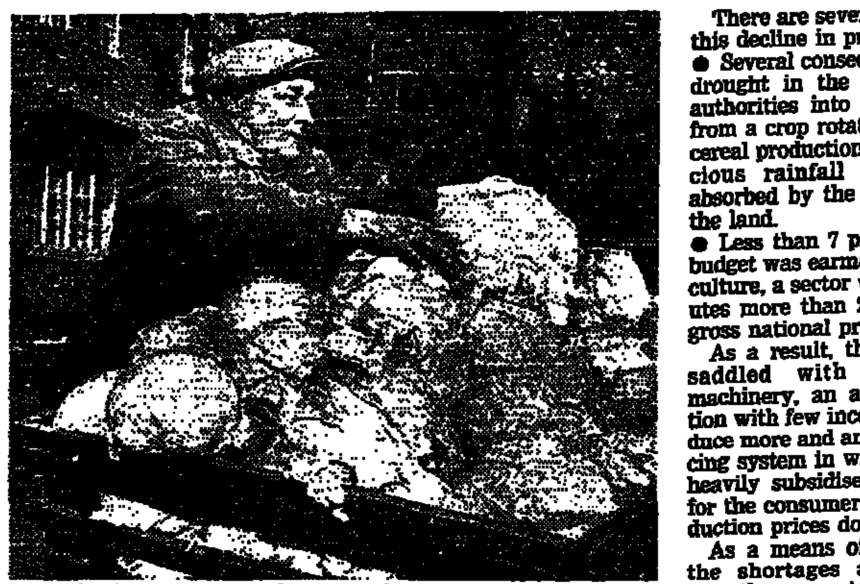
All parties promise the right for peasants to own and farm their land. But the promises are as vague as they are rhetorical.

The BSP says land can belong to anyone "who wishes to cultivate and use it efficiently." It insists that the "untapped potentialities of co-operative farming must be preserved and developed," but that membership (of the co-operatives) must be voluntary.

However, the BSP fudges on the idea of the scale of private ownership.

"Everyone who wants to do farming must have the opportunity to obtain land with or without paying for the land tenure and enjoy the right to inherit it . . . we want a new Land Act which will restore the ownership of land to the tillers."

In contrast, the UDF's partial solution to the land question poses the same problems which the Smallholders, the agrarian party in Hungary, is encountering.



Basic food items are in short supply in the big cities

The UDF wants to return to its original owners the land which was confiscated by the communists. If records cannot be traced, those who wish to farm the land will be allowed to own it, but only after about a period of between three and five years when they have "shown their commitment to the land," says Mr Ognan Pishev, an economic adviser to the UDF.

More significantly, all parties are against what they call "land speculators," a slogan unshamedly used during last month's election campaign in Romania and which is used just as effectively in Bulgaria.

"We do not want a return to large land owners or capitalists," says Mr Ivan Glushkov, the spokesman for the Bulgarian Agrarian Union, whose catchphrase is echoed right across the political spectrum.

Under the present system, peasants, once the backbone of the Bulgarian economy during the interwar period, are organised in co-operative farms.

These farms were set up in the late 1940s and early 1950s. Then, the communists, intent on destroying the independence of the peasantry and obsessed with embarking on a programme of rapid industrialisation aimed at bringing Bulgaria out of backwardness regardless of the country's traditions; collectivised (but did not nationalise) the land.

As a token gesture, peasants, who were forced into the co-operative farms, were allowed to farm their own individual plots, which rarely exceeded a tenth of a hectare. Yet it was these plots, starved of machinery, credits and investments and any political support, produced in the early 1980s 33 per cent of the country's meat, 14 per cent of its milk and 27 per cent of its eggs.

Today, little of that produce, or for that matter produce from the co-operative farms, is reaching the large cities. Basic items such as milk, sugar, butter and meat are in short supply in Sofia, the capital.

It is not because the peasants or the poorly-managed co-operative farms are holding back the produce. It is because the land is producing less.

There are several reasons for this decline in productivity:

- Several consecutive years of drought in the 1980s led the authorities into shifting away from a crop rotation system to cereal production. But any precious rainfall was quickly absorbed by the crops, not by the land.
- Less than 7 per cent of the budget was earmarked for agriculture, a sector which contributes more than 27 per cent of gross national product.

As a result, the industry is saddled with obsolescent machinery, an ageing population with few incentives to produce more and an outdated pricing system in which the state heavily subsidised food prices for the consumer but kept production prices down.

As a means of coping with the shortages and winning over the peasants, the Government recently abolished state orders, paid off the sector's debts, introduced higher prices, guaranteed a minimum prices for produce and lowered interest rates for the co-operatives.

Bulgarian economists admit, however, that this goes only a little way towards tackling the structural problems of agriculture.

All the political parties admit that any future government should subsidise the industry heavily. However the ruling BSP, like the UDF, remains reluctant to free prices completely as a means of channeling resources into the production end of the industry and opening up the sector to market forces.

To compound the problems, the industrial back-up for agriculture, such as the food processing industry, is also in need of a modernisation and investment programme. The short-term prospects are bleak.

Bulgarian industries are facing acute shortages of spare parts from western companies because western bankers recently suspended most of its credit lines to Bulgaria, following an arbitrary decision on a debt moratorium by the Bulgarian Foreign Trade Bank in March.

In addition, any new government will have to mount a substantial long-term investment programme aimed at repairing damage to land caused by years of neglect of the environment.

A recent study drawn up by the UDF on the state of the environment confirms the scale of these problems.

According to Mr Pirin Vodenicharov, a member of Eco-Glasnost, the independent environmental movement, about 4.7m hectares of once-fertile land (44 per cent of the country's territory, or 96 per cent of arable land) is eroded or polluted.

The uncontrolled use of chemicals and pesticides, particularly ammonium nitrate, the most widely-used fertiliser, has polluted rivers, which in turn has undermined the efficacy of irrigation and the quality of soil. Indeed, Eco-Glasnost reckons that only one of the country's 16 big rivers is unpolluted and that 6 per cent of the land can no longer be reclaimed.

Tackling these problems will require considerable investment.

Earlier this year, the European Community sent to Bulgaria two experts – one for agriculture, the other for industry – to try to establish how any future economic assistance by the EC could be effectively put to use. The agricultural expert has yet to report back to Brussels.

The growing consensus among western agricultural specialists in Sofia, however, is that unless the new government is committed to expanding private ownership, modernising the industry and making judicious investment decisions, there is little hope for any marked improvement in Bulgarian agriculture in the foreseeable future.

Low gold prices leave nearly half South Africa's mines operating at a loss

By Kenneth Gooding, Mining Correspondent

SIXTEEN OF South Africa's gold mines, between them responsible for nearly a quarter of the country's output of the precious metal, are incurring losses or are only marginally profitable at today's low gold prices, according to Mr Robin Plumbridge, chairman and chief executive of Gold Fields of South Africa.

These mines would have to cut costs, he said, and this inevitably would reduce South Africa's gold production this year to below 600 tonnes. Last year its output fell from 621 tonnes to 608.3 tonnes.

The 16 mines were of considerable economic importance to South Africa as significant generators of foreign exchange, he said. They employed directly about 160,000 workers and their operations affected the welfare of more than 1m people.

Mr Plumbridge said the mines "have neither the time nor the money to introduce major new mining technology to cut costs and therefore they have to adjust within the constraints of their existing infrastructure."

He pointed out that, because of the depths at which South African gold mines operate – companies often drill 2½ miles deep to dig the gold from narrow seams – it was unlikely that any mines would be put on a care-and-maintenance basis. "Closure would be terminal," he said.

Instead of closures, Mr Plumbridge said, there would be a sharp increase in the number of companies that would discontinue mining in uneconomic areas. This would lead to reduced milling from underground resources and higher recovery grades.

He predicted that the "taughter approach" demanded by the current low gold price would inevitably spill over to the profitable South African mines – and the 12 leading mines were already highly-competitive in world terms. "Closure of shafts where mining is uneconomic seems unavoidable."

All this would lead to redundancies in the industry. The outlook for semi-skilled and unskilled people was "bleak" but skilled, professional and managerial people would easily find employment because there was an acute shortage of skills in South African mines.

"In the longer term the industry is bound to be strengthened by the imperative to relocate its resources to economically profitable activity. In economic terms this must be of benefit to the country as a whole," he added.

Mr Plumbridge's comments come when South Africa's gold and coal mining companies are in dispute with the National Union of Mineworkers over wage negotiations for black mineworkers.

However, analysts suggest that he was not overdoing the gloom and doom as part of the wider negotiating process. Mr Tim Read, mining director at Smith New Court in London, said that at the current gold price 15 per cent of South Africa's production, or 84 tonnes, was failing to cover its cash operating costs.

If capital costs were taken into the calculation, this uneconomic proportion increased to over 40 per cent or 224 tonnes. "Freegold, the world's largest gold mine, is unprofitable on this basis."

South African analysts predict that the country's gold output will fall this year by between 20 and 25 tonnes.

The South African Chamber of Mines, the members of which produce about 95 per cent of the country's gold, calculated that at an average price for the year of R33,400 a kilogram ($391.16 a troy ounce at current exchange rates) 15 of its 31 member mines would be operating at a loss by next month. This was before taking into account capital expenditure, after which three more would join the list.

The South African Government has set up a committee to study the problems of marginal mines but in the currently charged political climate analysts believe it would be loath to see thousands of workers, many of them black, laid off.

Analysts suggest that the Government might provide ad hoc aid, taking into account the needs of individual mines.

Tin unmoved by US sale plan

By Kenneth Gooding

AN already-depressed tin market yesterday took in its stride news that the US Government was to give authority for the annual sale of up to 7,000 tonnes of the metal over the next two years from its strategic stockpile.

An official said that actual sales would probably be only about 2,000 tonnes a year and well within the limit set.

However, Mr Nick Moore, metals analyst with Ord Minnett in London, suggested the US move would suppress any attempt by the tin price to move upwards.

WORLD COMMODITIES PRICES

MARKET REPORT

A FIFTH successive daily fall took nickel prices on the London Metal Exchange to the lowest level for three months yesterday as general selling met with negligible buying interest. Dealers said bearish fundamentals and technical factors encouraged the selling, which took the cash price $212.50 lower at $7,902.50 a tonne. The zinc market also fell quite sharply after a chart support level at $1,670 a tonne (for three months metal) was breached. The three months price closed at $1,653.50 a tonne, down $32.50 on the day, while the cash price fell $50 to $1,712.50 a tonne. Some traders said the next band of support was in the $1,600-$1,625 area but others noted that consumer interest had been attracted when the three months price dipped below $1,650 two weeks ago. The gold price finished modestly lower after holding steady for most of the day. The late fall reflected selling in New York which dealers thought might have emanated from the Soviet Union, the Middle East or South Africa. At the London Futures and Options Exchange the cocoa market surrendered some of Tuesday's rally with the September price finishing £12 down at £871 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$13.40-3.50q	+.025
Brent Blend	$15.65-5.70q	+.050
W.T.I. (1 pm est)	$16.75-6.79q	+.215
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$215-217	-5½
Gas Oil	$141-143	+3
Heavy Fuel Oil	$50-52	
Naphtha	$141-143	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$357.25	-1.25
Silver (per troy oz)♣	508c	-1
Platinum (per troy oz)	$491.50	-5.00
Palladium (per troy oz)	$118.50	+1.40
Aluminium (free market)	$1610	+5
Copper (US Producer)	120.5c	+2.0
Lead (US Producer)	45c	
Nickel (free market)	370c	-10
Tin (Kuala Lumpur market)	16.64r	
Tin (New York)	294c	
Zinc (US Prime Western)	87½c	
Cattle (live weight)†	108.00p	+1.85*
Sheep (dead weight)†	168.12p	-13.2*
Pigs (live weight)†	105.09p	-7.09*
London daily sugar (raw)	$326.6v	-5.4
London daily sugar (white)	$418.0v	-8.5
Tate and Lyle export price	£307.0	-4.0
Barley (English feed)	£120.0u	
Maize (US No. 3 yellow)	£146.0	
Wheat (US Dark Northern)	£124.5	
Rubber (Jul)♥	55.25p	-0.25
Rubber (Aug)♥	55.75p	-0.25
Rubber (KL RSS No 1 Jun)	230.0m	-0.50
Coconut oil (Philippines)§	$342.5z	
Palm Oil (Malaysian)§	$275	
Copra (Philippines)§	$230	
Soyabeans (US)	£157.5z	
Cotton "A" index	90.70c	+0.20
Woottops (64s Super)	536p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-May/Jul. u-Oct/Dec. v-Jun/Jul. w-Jun. z-Jul/Aug. y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)	Close	Previous	High	Low
Raw				
Aug	305.00	303.00	305.00	301.00
Oct	301.60	299.00	301.80	297.60
Dec	295.00	304.40	300.00	295.00
Mar	283.40	283.60	285.60	282.40
May	285.00	284.60	285.00	282.80
Aug	281.20	282.00	281.20	280.00
Oct	277.00	276.00	277.00	277.00
White				
Aug	414.0	415.0	415.0	411.5
Oct	375.0	377.0	378.0	373.2
Dec	363.5	369.0	369.5	365.5
Mar	361.5	363.0	364.5	360.0
May	360.5	357.3	362.5	360.5

Turnover: Raw3433 (3973)lots of 50 tonnes. White 905 (1014)
Paris- White (FFr per tonne): Aug 2350, Oct 2150, Dec 2110, Mar 2090, May 2090

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High	Low
Jul	15.77	15.65	15.77	15.33
Aug	16.20	16.18	16.29	15.88
Sep	16.70	16.68	16.70	16.48
Oct	16.93	17.14	16.93	
IPE Index	15.71	16.22	15.71	

Turnover: 5550 (12812)

GAS OIL – IPE ($/tonne)	Latest	Previous	High	Low
Jun	142.50	139.50	142.75	137.50
Jul	141.50	139.00	141.75	137.00
Aug	143.00	141.75	143.50	139.25
Sep	146.00	144.50	146.50	142.50
Oct	149.50	148.00	150.50	148.50
Nov	152.00	150.00	152.50	148.00
Dec	153.75	152.00	154.00	150.00
Jan	152.75	152.00	152.75	151.00
Feb	151.00	152.50	151.00	151.00

Turnover 13769 (13356)lots of 100 tonnes

WOOL

The Australian government dictated a reduction in the Wool Corps. floor price from 870 to 700 cents from the industry and many of its customers. When sales were resumed this week prices fell sharply, for many types near to the full 20%. Finer merinos did attract relatively better demand.
Floor price purchases, while recovering from last week's 90% were still quite heavy at 40%.

COCOA – London FOX (£/tonne)	Close	Previous	High	Low
Jul	855	855	875	843
Sep	871	883	890	860
Dec	891	907	910	880
Mar	907	925	927	900
May	920	940	945	915
Jul	934	954	959	934
Sep	948	970	984	948

Turnover: 7794 (12287) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 5 1067.61 (1040.84) 10 day average for Jun 6 1126.56 (1134.59)

COFFEE – London FOX (£/tonne)	Close	Previous	High	Low
Jul	632	640	644	630
Sep	647	655	658	645
Nov	662	669	672	660
Jan	674	682	686	674
Mar	690	695	699	690
May	710	710	716	706
Jul	725	716	730	722

Turnover: 1877 (2360) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 5: Comp. daily 72.79 (72.03). 15 day average 73.77 (73.62)

POTATOES – BFE (£/tonne)	Close	Previous	High	Low
Nov	110.0	109.0	112.0	108.0
Apr	156.5	151.0	156.0	148.0

Turnover 234 (314) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)	Close	Previous	High/Low
Aug	116.00		115.00
Oct	119.50	118.00	117.00

Turnover 35 (1110) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)	Close	Previous	High	Low
Jul	1105	1120	1115	1100
Oct	1198	1212	1198	1198
Jan	1215	1228	1215	1210
Apr	1215	1230	1215	
BFI	1302	1305		

Turnover 131 (187)

GRAINS – BFE (£/tonne)	Close	Previous	High	Low
Wheat				
Jun	121.25	120.20	121.50	121.00
Sep	113.50	113.80	113.30	
Nov	117.35	117.50	117.30	117.10
Jan	120.75	120.80	120.70	
Barley				
Nov	115.85	116.05	115.60	

Turnover: Wheat 63 (161), Barley 2 (61).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg	Close	Previous	High	Low
Jun	136.1	137.0	136.0	
Aug	122.5	122.5	121.8	
Oct	124.5	124.0	124.5	123.5
Nov	123.5	121.0	123.0	

Turnover 177 (76) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 11,085 lots	
Cash	1610-2	1604-6	1611	1610-1		
3 months	1616-8	1612-3	1620/1615	1615-7	1614-5	
Copper, Grade A (£ per tonne)					Total daily turnover 13,880 lots	
Cash	1560-1	1563-5	1555/1550	1561-3		
3 months	1457-8	1490-1	1490/1484	1486-8	1485-7	
Lead (£ per tonne)					Total daily turnover 1,823 lots	
Cash	485-6	488-90	485.5/485	485-5.5		
3 months	487-8	490-1	489.5/487	487-8	487.5-8	
Nickel ($ per tonne)					Total daily turnover 1,834 lots	
Cash	7900-5	8110-20		8030-40		
3 months	7910-25	8130-40	8100/7900	8050-75	7900-50	
Tin ($ per tonne)					Total daily turnover 1,920 lots	
Cash	6220-30	6230-60		6230-45		
3 months	6350-60	6360-90	6375/6355	6365-70	6370-80	
Zinc, Special High Grade ($ per tonne)					Total daily turnover 4,359 lots	
Cash	1710-5	1760-5	1748	1748-50		
3 months	1652-5	1685-7	1687/1645	1683-8	1653-4	

LME Closing £/$ rate:
SPOT: 1.6875 | 3 months: 1.6596 | 6 months: 1.6316 | 9 months: 1.6104

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	357-357½	211½-212
Opening	359¼-359¾	213¼-213¾
Morning fix	359.80	213.442
Afternoon fix	359.50	213.136
Day's high	360½-361	
Day's low	355½-356	

Coins	$ price	£ equivalent
Mapleleaf	365-370	216-219
Britannia	365-370	216-219
US Eagle	365-370	216-219
Angel	369¼-374¼	218½-221½
Krugerrand	356-359	211-213
New Sov.	85-87	50½-52
Old Sov.	85-87	50½-52
Noble Plat	497.40-506.25	295.00-299.70

Silver fix	p/fine oz	US cts equiv
Spot	301.65	509.10
3 months	313.40	519.75
6 months	324.80	530.55
12 months	346.95	552.70

TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
600	38	104	6	7
650	10	66	28	19
700	2	38	70	41
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
750	105	131	0	10
800	56	92	3	21
850	21	62	16	14

Brent Crude	Jul	Aug	Jul	Aug
1650	30	67		
1700	20	114		
1750				

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High	Low
Jun	357.4	359.8	361.2	356.7
Jul	358.7	361.2	0	0
Aug	361.0	363.6	365.2	360.0
Oct	365.6	368.1	369.3	364.5
Dec	370.3	372.8	374.4	369.0
Feb	374.8	377.3	378.5	374.6
Apr	379.3	381.7	383.2	378.5
Jun	383.9	386.5	368.5	388.5
Aug	388.5	391.0	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High	Low
Jun	486.9	491.8	0	0
Jul	489.4	492.3	494.8	487.4
Oct	495.0	498.1	500.5	493.5
Jan	500.7	503.9	506.0	501.0
Apr	506.1	509.3	512.0	0
Jul	511.5	514.7	519.0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High	Low
Jun	503.0	506.5	506.0	506.0
Jul	509.3	509.8	512.5	505.2
Aug	510.3	513.6	0	0
Sep	514.5	517.8	521.0	513.8
Dec	525.8	529.1	532.0	525.1
Jan	529.3	532.8	0	0
Mar	536.6	539.9	543.0	536.0
May	544.2	547.6	549.5	542.0
Jul	551.8	555.3	554.0	551.0
Sep	560.0	563.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High	Low
Jun	115.90	117.10	116.40	115.70
Jul	112.10	113.10	112.90	111.50
Aug	110.00	110.50	110.30	110.10
Sep	107.60	108.50	108.30	107.20
Oct	106.10	107.00	107.30	107.00
Nov	104.70	105.60	0	0
Dec	103.30	104.10	104.00	103.00
Jan	102.20	102.95	0	0
Mar	99.80	100.20	100.20	99.50
Apr	99.15	99.55	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High	Low
Jul	16.90	16.68	16.95	16.33
Aug	17.55	17.39	17.69	17.09
Nov	18.80	18.73	18.89	18.50
Dec	19.04	18.99	19.15	18.87
Jan	19.18	19.11	19.24	19.00
Feb	19.30	19.20	19.18	19.00
Apr	19.45	19.38	19.55	19.31

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High	Low
Jul	4755	4711	4815	4640
Aug	4820	4777	4875	4720
Dec	5365	5334	5365	5300
Jan	5425	5404	5430	5375
Apr	5100	5059	5120	5080

COCOA 10 tonnes;$/tonnes	Close	Previous	High	Low
Jul	1313	1351	1345	1308
Sep	1342	1374	1366	1334
Dec	1363	1396	1388	1357
Mar	1380	1414	1405	1375
May	1403	1437	1425	1395
Jul	1418	1458	1440	1410
Sep	1430	1473	1455	1430

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High	Low
Jul	93.95	94.65	95.20	93.50
Sep	96.10	96.50	97.15	95.60
Dec	99.00	99.00	99.60	98.50
Mar	101.40	101.40	101.40	101.00
May	103.00	103.25	103.85	102.80
Jul	104.75	104.40	0	0
Sep	105.25	105.45	105.25	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High	Low
Jul	13.58	13.44	HIGH	13.41
Oct	13.46	13.30	13.60	13.28
Mar	12.93	12.77	13.47	12.77
May	12.86	12.70	12.93	12.74
Jul	12.69	12.57	12.87	12.65
Oct	12.55	12.39	12.73	12.50

COTTON 50,000; cents/lbs	Close	Previous	High	Low
Jul	81.20	81.34	82.56	81.05
Oct	75.15	74.56	76.06	74.72
Dec	70.00	69.58	70.76	69.72
Mar	70.80	70.43	71.40	70.60
May	71.25	70.75	71.25	70.70
Jul	71.10	70.66	71.28	70.70

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High	Low
Jul	193.25	194.70	194.20	193.10
Sep	189.25	190.60	190.50	189.25
Nov	184.50	185.10	185.00	184.05
Jan	181.55	182.15	182.55	182.00
Mar	181.55	182.15	182.00	181.50
May	180.25	181.10	180.25	180.25
Jul	180.25	181.10	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jun 6	Jun 5	mnth ago	yr ago
1889.4	1881.6	1925.6	1983.1

DOW JONES (Base: Dec. 31 1974 = 100)	Jun 5	Jun 4	mnth ago	yr ago
Spot	132.46	132.46	135.05	131.64
Futures	131.73	131.73	133.67	131.38

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High	Low
Jul	594/0	592/6	603/4	593/4
Aug	599/0	597/6	606/4	596/4
Sep	602/2	600/0	610/4	602/0
Nov	609/0	607/4	618/4	608/0
Jan	619/6	618/2	628/0	619/4
Mar	630/2	628/6	636/4	630/0
May	640/0	638/4	648/4	640/0
Jul	646/0	643/4	653/4	648/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High	Low
Jul	23.45	23.26	23.88	23.30
Aug	23.35	23.13	23.74	23.22
Sep	23.17	22.95	23.57	23.10
Oct	22.79	22.69	23.20	22.75
Dec	22.46	22.39	22.88	22.43
Jan	22.27	22.13	22.66	22.25
Mar	22.15	22.05	22.56	22.15
May	22.00	21.80	22.30	22.00

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High	Low
Jul	173.6	172.4	175.3	173.3
Aug	175.2	174.4	177.1	175.1
Sep	177.0	176.1	179.0	176.8
Oct	179.0	178.0	180.5	178.5
Dec	181.8	181.2	184.2	181.7
Jan	183.2	183.2	184.8	183.0
Mar	187.0	186.5	187.6	188.0
May	188.0	187.7	189.0	188.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High	Low
Jul	279/6	278/2	282/0	278/4
Sep	274/4	274/0	278/4	274/0
Dec	270/2	270/6	275/0	269/6
Mar	275/2	276/4	280/4	276/0
May	279/0	279/6	284/4	278/4
Jul	281/2	281/4	286/6	281/0
Sep	271/6	269/0	0	0
Dec	265/2	263/0	268/0	264/4

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High	Low
Jul	331/4	332/4	336/0	330/4
Sep	337/6	338/4	341/0	336/4
Dec	351/2	352/2	354/6	350/2
Mar	357/4	358/4	360/4	357/0
May	354/2	356/4	357/4	354/0
Jul	348/4	348/0	348/4	348/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High	Low
Jun	75.22	74.97	75.25	74.80
Aug	74.22	73.85	74.35	73.57
Oct	76.40	76.12	76.45	75.87
Dec	76.00	75.85	76.05	75.50
Feb	75.37	75.30	75.45	75.00
Apr	76.42	76.25	76.45	76.05
Jun	73.27	73.15	73.40	73.05

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High	Low
Jun	66.05	66.77	66.60	65.60
Jul	63.70	64.42	64.20	63.25
Aug	61.02	62.00	61.80	60.80
Oct	53.80	54.57	54.45	53.55
Dec	53.37	53.75	53.70	52.80
Feb	51.20	51.40	51.40	50.55
Apr	47.90	48.27	48.00	47.80
Jun	50.95	50.90	50.95	50.67

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High	Low
Jul	66.05	67.30	68.70	65.30
Aug	64.00	65.25	64.90	63.25
Feb	62.20	61.96	62.40	60.95
Mar	61.27	61.67	62.10	60.95

LONDON STOCK EXCHANGE

Wall Street influences hit the market

DISILLUSION spread from Wall Street to the London stockmarket yesterday, although the rival attractions for marketmakers of the Epsom Derby horserace may also have been a discouragement for investment in the UK market. Share prices, unsettled from the opening by the check in the New York market overnight, were unable to sustain a rally and the market closed with a loss of more than 21 points on the FT-SE scale.

Nervousness over the outlook for the US equity market was again evident in London at the close of yesterday's session. The UK market was following Wall Street closely as

Account Dealing Dates		
First Dealings:		
May 29	Jun 11	Jun 25
Option Declarations:		
Jun 7	Jun 21	Jul 5
Last Dealings:		
Jun 8	Jun 22	Jul 6
Account Day:		
Jun 18	Jul 2	Jul 16

*New-time dealings may take place from 9.30 am two business days earlier.

New York fluctuated in early trading to show a fall of 10 Dow points as London closed.

Also helping to take the steam out of the market were a fall in UK Government bonds and two, admittedly small, fund raising issues in equities: Body Shop raised £29.6m by a share placing and Ashley Group £26.3m by a rights issue to shareholders.

The FT-SE Index closed 21.6 down at 2,358.5, leaving the 2,400 mark a more distant barrier than had been expected at the beginning of the week. Turnover, as measured by a Seaq share total of 429m against the 618.2m of the previous session, was moderate, and included two small trading programmes.

With hopes for an early cut in US interest rates apparently cooler, and domestic optimism checked this week by Great Portland Estate's severe downgrading of current valuation of its property portfolio, equity strategists were taking a fresh look at the stockmarket after the advance of recent weeks.

The two sides of the debate were highlighted yesterday in strategy advice to clients from two leading players in the UK market. Kleinwort Benson Securities, staying with the defensive stance taken in February, doubted whether there is "much further upside" in the near term and predicted a setback during the summer. The firm describes the latest rally in equities as "insubstantial in the extreme."

However, Nomura Research Institute, which has been in the front rank of the bulls, said yesterday: "The best is yet to come" and continued to predict an FT-SE Index at 2,800 by year end "if not before."

The case for a cautious view has been emphasised by the latest turnover statistics from the International Stock Exchange showing that the brief recovery in equity trading volume has not been sustained; customer daily business in London has fallen away again to well below the £1bn mark.

The apparent lack of follow-through to last month's gains suggests that the big institutions may still be expecting to pick up stock below current levels – some even suggest that the FT-SE Index could close the year with a net loss over current levels.

FINANCIAL TIMES STOCK INDICES

	June 6	June 5	June 4	June 1	May 31	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.61	79.19	79.18	78.67	78.31	84.59	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.56	87.74	87.68	87.45	87.28	95.98	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1881.0	1893.9	1893.4	1882.4	1855.0	1758.2	1968.3 (3/1)	1053.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	202.9	198.6	202.4	212.2	213.3	190.1	378.5 (6/2)	198.6 (5/6)	734.7 (15/2/83)	243.6 (28/10/71)
FT-SE 100 Share	2358.5	2380.1	2379.0	2371.4	2345.1	2117.9	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.92	4.89	4.89	4.92	4.99	4.53				
Earning Yld %(full)	11.04	10.97	10.98	11.05	11.21	10.97				
P/E Ratio(Net)(☆)	10.94	11.01	11.00	10.94	10.78	11.04				
SEAQ Bargns 4.45pm	27,457	32,227	31,402	31,605	32,914	24,857				
Equity Turnover(£m)†	-	1201.49	817.08	986.20	1039.50	1300.88				
Equity Bargains†	-	32,517	31,741	33,062	33,493	26,935				
Shares Traded (ml)†	-	491.8	380.5	414.1	382.5	465.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.82

Ordinary Share Index, Hourly changes Day's High 1887.6 Day's Low 1878.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1883.0	1879.3	1878.7	1886.6	1884.1	1882.8	1880.9	1878.8	1882.4

FT-SE, Hourly changes Day's High 2367.4 Day's Low 2354.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2365.8	2358.3	2359.0	2366.4	2362.6	2360.3	2358.8	2354.8	2359.9

GILT EDGED ACTIVITY

Indices*	June 5	June 4
Gilt Edged Bargains	93.1	81.4
5 – Day average	87.4	82.2

*SE Activity 1974 †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	464	192	+1
ASDA Group	8,300	113½	+4½
Abbey National	2,000	204	-½
Allied-Lyons	2,600	607	-13
Amstrad	715	67½	+1
Anglian Water	372	158	-3
Argos	2,900	221	+2
Argyll Group	1,000	231	+1
Ass. Brit. Foods	136	409	+4
BAA	1,800	422	-7
BAT Inds.	1,800	850	-6
BET	1,600	343	-6
[illegible]			
British Airways	2,900	225	-1
British Gas	4,400	219	-1½
British Land	158	333	-5
BP	15,000	319	-7
British Steel	3,400	144	-½
British Telecom	20,000	289	-6
Bunzl	186	98	-1
Burmah Oil	385	639	-3
Burton	1,300	174	-3
Cable & Wire.	1,000	550	+1
Cadburys	553	346	-2
Calor Group	218	229	+3
Carlton Comms.	1,200	652	+1
Coats Viyella	689	126	-1
Comm. Union	288	467	
Cookson	710	214	-5

Stock	Volume 000's	Closing Price	Day's change
Courtaulds	800	344	-3
Dalgety	155	351	+2
Dixons	7,100	139½	-2½
ECC Group	305	397	+1
Enterprise Oil	545	642	-1
FKI	1,100	74	-1
Ferranti	331	40	
Fisons	2,000	377	-3
Gen. Accident	341	1128	-5
General Elect.	3,100	211	-2
Glaxo	2,100	787	-1
Globe Inv.	349	155	-2
[illegible]			
Hunter Sild.	578	694	+5
Hillsdown	1,600	265	+6
IMI	724	247	+1
ICI	825	1195	-7
Inchcape	80	275	
Kingfisher	1,100	333	-4
Ladbroke	1,600	317	+1½
Land Securities	1,600	501	-8
Laporte	135	639	+1
Legal & General	505	407	-2
Lloyds Abbey	1,000	322	-2
Lloyds Bank	5,500	297	-12
LASMO	628	495	
Lonrho	988	257	+1
Lucas	136	657	
MB Group	687	220	-1

Stock	Volume 000's	Closing Price	Day's change
MEPC	825	494	-7
Manpower	574	82	+2½
Marks & Spencer	3,200	224	+1
Maxwell Comm.	95	197	
Mecca Leisure	1,300	88	+½
Midland Bank	4,200	305	-4
NatWest Bank	4,500	359	-9
Next	853	84	-2
North West Water	1,800	158	+2
Northern Foods	380	309	+1
Northumbrian Water	94	173	+3
Pearson	632	730	-18
[illegible]			
Redland	651	592	-9
Reed Intl.	2,300	435	-15
Reuters	543	1194	-6
Rolls Royce	10,000	225	-3½
Rothmans	580	729	+1
Ryl Bk Scotland	1,600	181	-4
Royal Insurance	727	489	-4
STC	4,000	275	+9
Saatchi	1,100	104	-3
Sainsbury	1,000	287	
Scottish & New.	826	339	-5
Sears	4,600	105½	+2½
Sedgwick	1,000	285	-4
Severn Trent Water	1,500	137	+2
Shell Transport	2,400	458	-10
Siebe	311	592	+8

Stock	Volume 000's	Closing Price	Day's change
Slough Ests	111	293	-2
Smith (W.H.) A	223	348	-1
Smith & Nephew	2,300	115½	-½
SmKl Beecham	1,100	545	-7
SmKl Beecham Units	39	2351	+5
Smiths Inds.	332	365	
South West Water	190	162	-2
Southern Water	730	136	+3
Standard Chartd.	58	471	-4
Storehouse	2,400	129	+2
Sun Alliance	2,200	322	-3
Sun Life	244	1233	+18
[illegible]			
Ultramar	1,000	338	+4
Unigate	436	300	+3
Unilever	1,009	705	-2
United Biscuits	1,300	347	
Utd. Newspapers	93	342	-1
[illegible]	9	[illegible]	+6
Wellcome	53	659	-3
Welsh Water	100	157	+2
Wessex Water	119	160	-2
Whitbread 'A'	841	444	-2
Williams Hldgs.	1,100	277	-3
Willis Faber	2,700	248	-2
Wimpey	145	239	-3
Yorkshire Water	787	161	-1

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Nothing exciting from Bass

The long-awaited presentation by Bass on last year's Holiday Inns acquisition proved something of an anti-climax and the shares retreated more quickly than the rest of the market.

"It's better to travel than to arrive," said Mr John Spicer of Kleinwort Benson. "People had expected a lot more short term details instead of long-term strategy."

Mr Geoff Collyer at County NatWest WoodMac agreed: "The strategic benefits of Holiday Inns will come out in 24 months and we would have preferred to hear about the UK business which will be the powerhouse of profits until then."

Both pointed out that the shares have had a good run in recent weeks, while marketmakers said the fall was largely technical and included some profit-taking. Bass fell 30 to 1070p on above average turnover for the stock of 1.5m shares. Buckingham firmed a penny to 85p.

Telecom hit

There was very heavy trading in British Telecom (BT) shares for the second consecutive day after one securities house, Robert Fleming, told clients to "take profits" in the stock after the recent outperformance of the shares against the rest of the market, and as BT employees sold shares they had acquired in BT's Share Save Scheme.

Some 20m BT shares changed hands yesterday, topping the 19m turnover of Tuesday. BT shares ended the day a net 6 off at 289p, having touched 288p at one point.

Mr Laurence Heyworth at Flemings Research said he had advised clients to take profits in the shares which had outperformed the market over the past month; "The market has risen 10 per cent and BT 14 per cent over the period; we haven't changed our estimates for the group, all we've done is balance the positives and negatives."

Dealers said that allied to the selling by Fleming, the market had been upset by some sizeable selling pressure, thought to have come from BT employees who were scheduled to receive share certificates relating to BT's share option scheme on June 5 and 6. Some 90,000 BT employees participated in the scheme which issued options on 94m BT shares at 168p a share, exercisable on May 15.

Oil and gas stocks fell away under the twin pressures of worries about further weakness in crude oil prices and two bearish notes on the sector. Crude oil prices fell further yesterday, with July Brent dipping to $15.40 a barrel before stabilising and closing a net 5 cents higher at $15.65 a barrel.

Hoare Govett's oil team came out with a hard hitting note on the sector which said investors have "ignored the 33 per cent oil price fall this year," and that the sector relative has only declined by around 6 per cent from its peak on a view that by 1992 "we will have a sustainable $25 a barrel." Hoare disputed this scenario and said "In our view 1992 will be a 1990 lookalike; short term there is scope for considerable disappointment and we have downgraded our target for the relative's downside to 185 from 95; we would be underweight in the sector, in particular BP and Shell as well as the exploitation and production sector; British Gas and Burmah are the exceptions," Hoare concludes.

BP were additionally weakened by selling prompted by a major research document issued by the Smith New Court oil and gas team which recommended clients to reduce weightings in BP. "Standing at their lowest yield relative against the market for almost a decade, we suggest there is no reason on fundamentals for the shares to outperform over the next twelve months," said Mr Nick Clayton. "Short term, the current rating reflects an overly bullish expectation for crude prices in the early 1990s and the supposition that this will translate into superior earnings and dividend performance.

By the close of an exceptionally busy session BP had fallen 7 to 319p on high turnover of 15m shares. Shell lost 10 to 456p on 2.4m. Ultramar bucked the overall trend, closing 4 firmer at 338p. British Gas drifted back 1¼ to 219p on poor turnover of 4.4m.

Thames Water touched extremes of 148p and 143p before closing 1¼ ahead at 145½p after releasing their first preliminary results since their privatisation last year. Turnover in Thames was a very healthy 4.8m shares.

Dealers said the results and dividend came as a surprise and caused an initial rise in the stock. But this was pared later in the day as the headline profits figure was seen to have included some unexpected items; "Not quite as good as we first thought," said one specialist.

The banks were said to have been a big part of the programme trade activity early in the sesion and were well down on the day. Lloyds, after a "switch out" recommendation, fell 12 to 297p on good turnover of 5.5m. NatWest dropped 9 to 359p. TSB (4.8m) were heavily traded and settled 3 off at 142p.

The takeover hints surrounding Prudential were not taken too seriously by the market and left the shares 4 off at 227p.

Sturge continued to reflect the warning on second half profits and lost 14 more to 253p.

The property sector continued to weaken following the announcement on Tuesday by Great Portland Estates, one of the UK's leading property investment group, that its portfolio had fallen in value. Great Portland closed 2 higher at 243p. The rest of the sector was marked down soon after the market opened with some funds still looking to lighten their holdings. But turnover was lower than in the previous session, due partly to the slacker turnover throughout the rest of the market, but also in anticipation of full year results from British Land, another leading property investment company. Mr Graham Stanley of County NatWest said that British Land "also had scope to disappoint."

British Land was down 5 at 333p, Land Securities was down 8 at 501p, MEPC was off 7 at 494p, and Greycoat was down 17 at 399p.

Asda climbed 4½ to 113½p following suggestions that a buy-programme had been executed by Goldman Sachs, although this was denied by Goldman. The market was also excited following an announcement that First City Financial Corporation, which is controlled by the Belzberg Brothers of Canada, had acquired a 5.45 per cent stake. But it later emerged that the Belzberg's had merely moved their holdings between accounts and it did not reflect an increased stake. Press comment that Asda may be bid for by Argyll also provided support, although dealers thought it highly unlikely. Argyll was up a penny at 231p.

The food manufacturing sector was firmer. Ranks Hovis McDougall was up 5 at 360p on low turnover, while Hillsdown gained 6 to 265p. But Hazelwood, down 3 at 139p, remained depressed by talk that a 4m block of shares was still overhanging the market.

LVMH, the French luxury goods group which is in the process of taking its stake in Guinness to 24 per cent, said at its annual meeting that 1990 profits would rise by more than 15 per cent. But analysts had expected 20 per cent, and the company blamed the weakening yen. Guinness has 24 per cent of LVMH and its shares lost 8 to 778p, the day's low. Turnover was a busy 6.1m shares.

Profit-taking hit much of the stores sector. Mr Geoffrey Mulcahy, Kingfisher's chairman, referred at the group's annual meeting to difficult consumer markets. Kingfisher ended down 4 at 333p.

Others to fall included Boots, down 7 at 296p, Dixons, 2½ off at 139½p and Burton, which eased 3 to 174p.

Among those to buck the trend were Ratners, where a City presentation helped the shares put on 10 at 278p.

Body Shop's combination of good figures, a share placing and a scrip issue initially sent the shares a few pence higher. But they slipped back before the close to end unchanged on the day at 450p.

Reed International posted year-end profits 11 per cent up at £302m, in line with analysts' forecasts. But the stock had had a good run in advance of the numbers and fell on their announcement. Mr John Kenny at BZW recommended a switch into Pearson, which he said was trading on a market rating while Reed was at a 10 per cent premium to the market. Reed closed 15 lower at 435p.

BAA retreated quickly after several weeks of outperforming the market. A story spread that BZW, a consistent bull of the stock, had downgraded the company. But analysts at the firm had merely recommended short term top-slicing, while remaining optimistic in the medium and longer terms. "The gains of the upward run are difficult to sustain," said Ms Jenny Younger at BZW. She added that the asset revaluations due with the preliminary results on June 18 might not be as good as some expected. The shares closed just above the day's low at 422p, a fall of 7.

Lep Group steadied after a sharp rise on Tuesday when a 13 per cent stake in the company changed hands. Yesterday, the shares firmed a penny to 188p.

Powell Duffryn continued to benefit from the disposals programme announced on Tuesday. The shares climbed 11 at one point but trickled back by the end of the session to 347p, still an improvement of 6 on the day.

Beazer, the construction and building materials group returned to favour with a bang on the back on keen support from the US; "it looks as if US interest rates have topped out and Beazer will be a big beneficiary of any decline," said one specialist. Turnover in Beazer came out at 3.6m. Blue Circle slipped early in the session but later picked up to close a net 3 off at 237p with a alarge buying order said to be in the market.

Simon Engineering dipped 6 to 396p following a more cautious than expected annual general meeting statement. Vickers added 5 to 237p as Kleinwort Benson reaffirmed its bullish stance.

There was no shortage of good performers in the electronics area of the market. Cable & Wireless (C & W) managed a minor gain at 550p albeit on thin turnover of 1m, ahead of preliminary figures expected today from Hong Kong Telecom, where C & W has a 58.6 per cent stake. Kleinwort Benson expects Hong Kong Telecom to achieve a pre-tax profits increase of 18 per cent to some HK4.45bn; County NatWest is looking for a profits rise of 19 per cent and said "good results would form a positive precursor to C & W's preliminary figures due on June 13."

The resilience of the C & W share price was mainly attributed to a pre-results buy recommendation issued by the SG Warburg Securities electronics team who said Warburg "remain strategic buyers of C & W due to the growth of Mercury and its position in international telecommunications which remains the most rapidly growing area of telephony after cellular."

STC advanced strongly to close 9 firmer at 275p on higher than usual turnover of 4m shares. Dealers said the buying was on the back of resurrected stories that a deal concerning a foreign buyer of a big stake in STC's computer subsidiary ICL – Japan's Fujitsu remains a hot favourite - may be imminent.

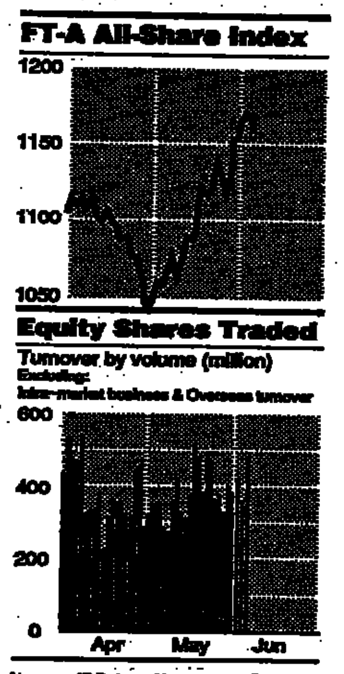
Racal Telecom dipped 12 to 374p ahead of next Tuesday's preliminary figures which are *expected to show pre-tax profits of £160m plus against last* year's £84.5m. Racal Electronics, Telecom's parent, and due to report the same day, were only fractionally off at 212p.

Electrocomponents advanced 9 to 215p after revealing preliminary profits.

Lonrho reveals interim figures today and the shares added a penny at 257p, while RTZ continued to be squeezed higher as traders said a US house in London was still short of stock after a large sale on Tuesday. RTZ rose 2 to 582p on good turnover of 2.2m.

Profit-taking continued to hurt Rolls-Royce, 3½ lower at 225p. The shares touched a new high on Tuesday.

■ Other Market statistics, *including the FT-Actuaries share index, Page 22*



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (87).
BRITISH FUNDS (1) AMERICANS (4) BANKS (1) BUILDINGS (3) CHEMICALS (1) STORES (10) ELECTRICALS (8) ENGINEERING (8) INDUSTRIALS (15) Astra, Baird (Wm.), Baynes (Charles), Bimec Inds., British Vita, Cathay Pacific, Diploma, Elan, Goode Durrant, Halma, Relyon, Rolfe & Nolan, Swire Pacific "A", Triplex, Valor, INSURANCE (3) TRUSTS (8) OVERSEAS TRADERS (2).
NEW LOWS (70).
CANADIANS (2) BANKS (4) BREWERS (2) BUILDINGS (2) STORES (2) ELECTRICALS (6) ENGINEERING (2) FOODS (2) INDUSTRIALS (8) Bluebird Toys, British Fittings, Ensor, Fiorello C. & W., Handley-Walker, Maxiprint, Waterman Partnership, West Inds., INSURANCE (1) LEISURE (1) MOTORS (4) NEWSPAPERS (1) PAPERS (2) PROPERTY (8) TRANSPORT (2) TRUSTS (7) OILS (8) MINES (10) THIRD MARKET (1).

APPOINTMENTS

BZW opens Hong Kong office

BARCLAYS DE ZOETE WEDD INVESTMENT MANAGEMENT is opening an office in Hong Kong with Mr George Long as resident director. He was managing director of Gartmore (Hong Kong). A US citizen, Mr Long speaks Mandarin and Korean.

■ SPECIALEYES, the USM-quoted retail optical chain, has made Mr Jim Power a non-executive director. He was finance director at Storehouse.

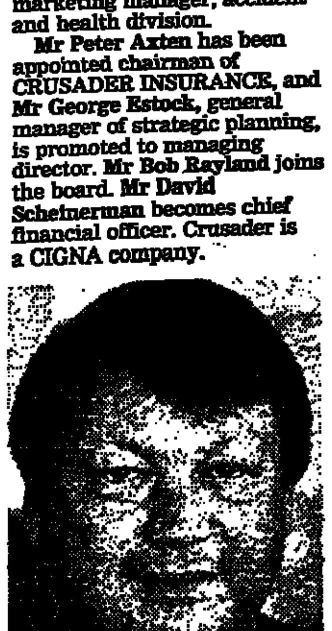
■ Mr Michael Woodhead, a former BWD Securities director, is to join EASTWOOD RENSHAW, Huddersfield, as a non-executive director. He will be chairman of the group's financial product evaluation committee.

■ FIRST INTERNATIONAL GROUP has appointed the following to the board of First International Leasing Corporation: Mr Paul Slater, chairman and chief executive; Mr Michael B. Collins, president; Mr Laurence E. Levine and Mr Michael J. Steele, directors.

■ Mr Roger Lombard has been appointed managing director of Thetford-based powered access platform maker SIMON-GALA, part of the Simon Group. He was director and general manager, Peart Group.

■ CIGNA INSURANCE COMPANY OF EUROPE has appointed Mr Martin Oddy as special products division director, UK. He was UK marketing manager, accident and health division.

Mr Peter Axten has been appointed chairman of CRUSADER INSURANCE, and Mr George Estock, general manager of strategic planning, is promoted to managing director. Mr Bob Rayland joins the board. Mr David Scheinerman becomes chief financial officer. Crusader is a CIGNA company.



BRITISH MIDLAND has appointed Captain Christopher Knowles *(pictured)* as operations director. He was with British Airways.

■ CITICORP INSURANCE BROKERS, UK retail division, has appointed Mr Peter J. Anscombe as City branch director. He was a director of Norex Insurance Brokers.

■ Mr Tom Mackenzie, operations director of Digital Computer Services, has been appointed to the board of the group holding company, DIGITAL COMPUTER SERVICES (HOLDINGS).

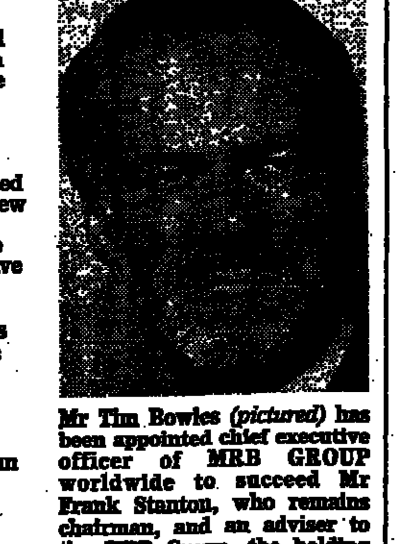
■ SHANDWICK has appointed Mr Richard Sermon to the new post of chief executive of Shandwick International. He is succeeded as chief executive of Shandwick Europe by Mr Charles Cotton, director of international marketing. Mrs Mary Bartholomew becomes deputy chief executive of Shandwick Europe.

■ S.I. GROUP has appointed as associate directors Mr John Barlow, Mr Barry Croucher and Mr Will Spinney. They join from Evered.

■ Mr John Whitehouse, financial director of THE BIRMINGHAM POST, has been appointed assistant managing director.

■ Midland Bank subsidiary GRIFFIN FACTORS has appointed Mr Jamie Gunn as finance director. He was director, financial reporting, at American Express Europe.

■ Mr Victor Semmens has been appointed chairman of EVERSHEDS, a group of regional legal firms forming what is described as "the first national commercial law firm." He was deputy senior partner of Evershed Wells & Hind.



Mr Tim Bowles *(pictured)* has been appointed chief executive officer of MRB GROUP worldwide to succeed Mr Frank Stanton, who remains chairman, and an adviser to the WPP Group, the holding company.

■ SOTHEBY'S has appointed as non-executive directors Lord Nicholas Gordon-Lennox, recently UK ambassador in Madrid; and Sir Charles Morrison, Devizes MP.

■ Mr Malcolm Crouch, an assistant director of LAZARD BROTHERS, has been appointed a member of the committee of Lazard Property Unit Trust, and as the trust's surveyor.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]						

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1989: 116.6 and for April 1990: 125.1.

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21¾	14¼	Chase Manhattan $12½	16⅜	+¼	$2.36	–	8.6
19¼	14	Chem. Banking Corpn	17¼	+¼	$2.72	–	9.6
12½	9⅛	Chrysler $6¼	9½	–⅛	$1.20	–	7.7
18¾	12⅞	Citicorp $1	14⅝	+⅛	$1.78	–	7.3
[illegible]							

CANADIANS

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	1990 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	226	.....	44c	1.4	9.1	7.8
307	172	Abbey National 10p	284	–½	5.7	4.3	3.7	8.3
274	210	Allied Irish Ord.	234xd	–1	Q40%	♦	4.0	♦
£13¼	£11	Algemene Fl 10	£11	.....	Q28%	2.1	7.8	6.0
85	73	Anglo Irish	73	.....	tQ18.7%	2.7	6.0	10.0
81	68	Ansbacher (H.) 1p	76	.....	2.5	1.3	4.4	21.9
£71⅞	£54¼	Bancaire Cie Fr100	£62½	–1¼	hQ12½%	–	2.2	–
£22½	£16⅝	Banco Bilbao Viz.	£19	.....	Q49.1%	2.7	4.4	12.3
£31	£24¼	Banco de Santander	£27	–⅛	Q25%	2.4	4.1	10.1
286	224	Bank Ireland IrE1	258xd	+2	Q14.3%	♦	5.2	♦
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	345	.....	t13.5	–	5.2	–
125	104	Bank Scotland	122	+1	4.55	3.3	5.0	8.1
100¼	83¼	Do. 9¼pc Irrd Pf.	93	–½	9¼%	–	13.3	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	20.2
428	353	Barclays £1	409xd	–7	h19.57	3.5	6.4	5.7
22	12	Benchmark 20p	13	.....	1.63	1.0	16.7	7.5
335	310	Brown Shipley £1	320	–4	12.0	♦	5.1	♦
455	361	Cater Allen £1	410	+4	23.5	–	7.6	–
179	129	Chancery	129	–5	t8.0	2.8	8.3	5.7
£23¼	£19½	Commerzbk DM10	£20	–⅛	Q18%	–	3.3	–
£13¼	843	Dai Ichi KBk Y50	915	–21	Q17%	♦	0.4	♦
£...	£...	Deutsche Bk DM50	£275	–4½	Q28%	–	1.8	–
£20	£19	Espirito Santo	£19½	–⅛	Q75c	♦	2.3	♦
253	183	First Nat. Fin. 10p	216	–2	13.0	2.4	8.0	6.7

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

BANKS, HP & LEASING (continued)

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

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MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

For ASB Barnett see Industrials

High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
38	14	Sempernova	...	14	...	–	–	–	3.1
36	24	Sleepy Kids 5p	y	32	+1	–	–	–	–
2¼	1½	Swanyard Studios 1p	y	1½	...	–	–	–	8.4
94	58	Tomorrows Leisure 20p	y	68	+2	–	–	–	22.8
55	35	UPL Group 10p	y	39	...	‡2.75	1.9	6	7.4
181	128	Unit Group	y	181	...	5.0	3.3	3.7	10.3
89	59	Video Magic Leis. 1p	y	61	–4	W2.0	0.7	4.4	48.9
5¼	3½	Vista Ents 5p	y	3½	–¼	–	–	–	–
18	13	Vizcaya Hldgs 5p	y	13	...	–	–	–	–
43½	24½	Whitegate Leisure 20p	y	24½	...	0.25	1.7	1.4	52.4
29	9	Do. Wrrnts	y	9	...	–	–	–	–
5½	3¼	Wilton Group 1p	y	4½	...	–	–	–	♦

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ◎ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990-91. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or -
Craig & Rose £1	y	830	...
Finlay Pkg. 5p	y	53	–2
Holt (Jos) 25p	y	1293	–7

IRISH

Stock	Price	+ or -
Cap. 8½% Ln. 1991	£90¼	...
9pc Cap Ln. 1996	£94¼	...
Fin. 13% 97/02	£112¼	...
Arnotts	415	...
Carrol (P.J.)	145	...
Hall (R. & H.)	172	–3
Helton Hldgs	74	...
IRG	285	+3
United Drug	160	...

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	40
Amstrad	7
Asda (BSR)	6
BAT	62
BOC Grp	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	93
GEC	18
Glaxo	68
Grand Met	53
Guardian	20
GKN	33
Hanson	20
Hawker Sidd	53
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	55
Marks & Spencer	19
Midland Bk	24
Nat West Bk	30
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RHM	30
Rank Org Ord	70
Reed Intnl	38
STC	21
Sears	9
SmKl. Beecham A	40
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property

Stock	p
Brit Land	32
Control Secs	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Stock	p
Arlva Petlm	5½
Brit Petroleum	28
Burmah Oil	55
Conroy Petlm	10
Gaelic Res	3½
Premier	9
Shell	40
Tuskar Res	5½
Ultramar	31

Mines

Stock	p
Lonrho	21
RTZ	50

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AUTHORISED UNIT TRUSTS

Medical Investments Ltd (1700)F
1 White Hart Yard, London SE1 1NX 071-407 5966

Health Fund	5¼	56.54	56.54	61.30	+2.26	.27

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2060

American Growth	5	145.6	145.7	155.5	-2.90	0.00
(Accum Units)	5	155.2	156.4	165.7	-3.20	0.00
American Income	5	40.64	40.64	43.21	-0.30	7.12
(Accum Units)	5	52.62	52.62	55.96	-0.38	7.12
American Sm Cos	5	60.53	61.44	65.54	-1.20	0.00
(Accum Units)	5	61.36	62.28	66.43	-1.20	0.00
British Blue Chip	5	56.70	57.10	60.91	-0.65	3.04
(Accum Units)	5	60.88	61.31	65.40	-0.70	3.04
Cash *	0	102.5	102.6	102.6	—	15.20
(Accum Units) *	0	102.5	102.6	102.6		15.20
European Growth	5	201.5	201.5	214.9	+2.30	0.63
(Accum Units)	5	213.8	213.8	228.0	+2.50	0.63
European Income	5	83.59	83.59	89.00	+0.42	3.62
(Accum Units)	5	95.75	95.75	101.9	+0.50	3.62
General	5	362.2	367.0	391.5	-2.80	2.62
(Accum Units)	5	638.8	647.4	690.5	-5.20	2.62
Gilt	5	76.41	76.41	80.50	-0.41	9.89
(Accum Units)	5	113.8	113.8	119.9	-0.60	9.89
High Income	5	48.67	48.90	52.17	+0.71	6.63
(Accum Units)	5	55.72	55.99	59.73	-0.82	6.63
High Interest	5	39.28	39.28	41.87	-0.02	11.42
(Accum Units)	5	49.41	49.41	52.67	-0.04	11.42
Income	5	112.7	113.3	120.9	-1.20	5.21
(Accum Units)	5	145.4	146.3	156.1	-1.50	5.21
International	5	308.9	308.9	328.6	-1.10	1.97
(Accum Units)	5	400.5	400.5	426.1	-1.40	1.97
Japan	5	197.6	197.6	210.1	-0.10	0.00
(Accum Units)	5	202.8	202.8	215.6	-0.10	0.00
Pacific	5	56.05	57.15	60.96	+0.19	1.87
(Accum Units)	5	57.24	58.36	62.25	+0.19	1.87
Portfolio	5	57.53	57.66	61.51	-0.39	3.28
(Accum Units)	5	60.13	60.28	64.30	-0.40	3.28
Recovery	5	249.3	249.4	266.1	-1.00	3.41
(Accum Units)	5	291.0	291.3	310.8	-1.00	3.41
UK Smaller Co's	5	44.67	45.35	48.38	+0.05	2.21
(Accum Units)	5	46.93	47.66	50.84	+0.06	2.21
Institutional Funds						
UK Equity May 31	2	365.5	372.5	382.1	+2.00	4.31
(Accum Units)	2	618.4	630.4	646.5	+3.40	4.31
Amer Sm Cos Equity	2	57.01	58.00	59.49	-0.94	0.00
(Accum Units)	2	57.46	58.47	59.97	-0.94	0.00

* Compound Annual Rate

Merlin Jupiter Unit Tst Mngrs Ltd (0905)F
197 Knightsbridge, London SW7 1RB 071-581 3020

American Cap	5	110.5	113.7	120.9	-0.6	0.84
Income	5	86.77	88.00	93.61	-0.74	4.52
Resources & General	5	113.7	115.1	122.4	-1	2.63
Special Sits	5	33.39	34.47	36.66	-0.15	3.66
International	5	53.36	53.36	56.76	+0.05	3.04
Ecology	5	59.76	61.18	65.08	-0.07	1.85

Metropolitan Unit Trust Mngrs Ltd (1000)F
3 Darkes Lane, Potters Bar EN6 1AJ 0707 45184

Eurogrowth Plus	6	77.11	78.08	83.06	-0.15	0.57
Global Growth	5¼	45.59	45.61	48.52	-0.13	0.52
Global Income Acc	6	56.69	57.41	61.07	-0.49	3.27
Do Income	6	52.09	52.75	56.12	-0.44	3.56
Sunrise Accum	6	68.71	70.42	74.91	-0.22	0.00
UK Growth Acc	6	54.56	55.86	59.43	-0.4	1.68
UK Income Acc	5¼	64.85	66.10	70.32	-0.32	4.27

Newton Fund Mngrs Ltd (1200)F
2, London Bridge, SE1 071-407 4404

Newton Income	6	144.31	147.5	157.0	+0.1	4.74
Newton Global	6	239.3	244.4	260.0	+0.2	1.50
Newton General	6	101.3	103.7	110.4	-0.2	3.56

Norwich Union Tst Managers (1200)H
PO Box 124, 51/59 Rose Lane, Norwich 0603 682234

Master Trust	6	97.78	97.78	104.02	-0.28	2.03
UK Equity†	6	99.65	101.16	107.62	+0.05	3.73
UK Equity Income	6	98.67	100.36	106.77	-0.13	4.89
UK Smaller Co's	6	87.47	91.10	96.91	-0.24	2.79
UK Equity Growth	6	94.09	95.90	102.02	-0.16	3.08
UK Index Tracking ♦F	6	102.37	103.22	109.81	-0.01	4.30
International	6	166.96	168.87	179.65	-1.31	0.93
European	6	151.76	153.63	163.44	-0.98	0.73
Nth American	6	117.99	119.00	126.63	-0.55	2.06
Nth Amer Smllr Cos	6	93.18	94.59	100.63	-1.12	0.64
Japanese	6	82.66	83.42	88.74	-0.49	0.00
Pacific	6	134.90	138.29	147.12	-0.68	1.36
South East Asian	6	111.10	113.02	120.23	-0.08	2.17
International Bond	6	94.24	94.29	100.31	-0.36	7.94
Gilt & Convertible	6	90.77	90.92	96.72	-0.48	11.04

PK English Trust (Inv Man) Ltd (1000)F
12 Carthusian St, London EC1M 6EB 071-796 1200

American*	4	68.68	69.18	72.17	.....	0.0
Far Eastern*	4	187.62	192.81	201.66	.....	0.1
Growth†	4	183.75	186.94	196.53	+1.7	4.0
Income†	4	134.45	136.1	144.91	+1.76	6.1
Scandinavian†	4	85.7	85.74	90.97	+1.94	0.3

† Dealing Day Wed. *Dealing day Thurs.

Pearl Unit Trusts Ltd (1000)H
PO Box 500, Thorpe Wood, Peterborough PE3 6GD
Dealing: 0800 626577 Enquiries: 0733 67767

Growth	5	114.9	117.3	123.5	-0.4	3.29
(Accum Units)	5	188.8	192.8	202.9	-0.7	3.29
Income	6	178.9	182.2	193.8	-1	4.44
Equity	6	179.8	182.9	194.5	-1.1	3.13
(Accum Units)	6	343.8	349.7	372.9	-2.1	3.13
Intl Equity	6	182.8	184.9	196.7	-0.5	1.84
(Accum Units)	6	192.2	194.4	206.8	-0.5	1.84
UK Income	6	48.75	49.46	52.61	-0.3	4.46
UK Intl 25	6	49.26	49.87	53.05	-0.25	2.71
UK Smaller Co's Acc	6	47.30	47.74	50.78	-0.03	2.00

Pembroke Administration Ltd (1700)F
18-19 Sandland St, London WC1R 4PZ 071-430 0556

Pembroke Accum	5	83.88	86.51	91.69	.....	2.43

Perpetual Unit Tst Mngmt (1600)F
48 Hart Street, Henley on Thames 0491 576868

International Gwth	5¼	360.78	360.78	385.87	-4.23	1.03
Income	5	237.38	237.38	253.89	-0.92	5.08
W'wide Recovery	5¼	218.46	218.46	233.65	-3.00	1.06
American Growth	5¼	101.01	101.39	108.44	-1.44	1.29
Intl Emerging Cos	5¼	103.02	103.02	110.19	-1.27	0.40
Far East Gwth	5¼	137.81	137.81	147.40	-1.75	2.02
European Gwth	5¼	101.31	101.31	108.36	-0.94	2.53

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing—12 Noon Historic						
TR American Gwth	5¼	49.87	49.87	53.19	-0.82	0
TR Eur Sp Sits Acc	5¼	45.99	45.99	48.88	-0.22	0
TR Eur Sp Sits Inc	5¼	45.10	45.10	47.93	-0.21	0
TR Far East Opps Inc	5¼	24.99	25.11	26.72	-0.14	0
TR Far East Opps Acc	5¼	24.99	25.11	26.72	-0.14	–
TR General Growth	5¼	77.66	77.66	82.61	-0.11	2.49
TR Global Tech	5¼	78.18	78.18xd	83.39	-0.97	0
TR Income Growth	5¼	88.87	88.87	94.54	-0.93	4.23
TR Income Monthly	5¼	52.34	52.34	55.68	-0.13	7.27
TR Japan Growth	5¼	87.21	87.21xd	92.50	-0.28	0
TR Overseas Growth	5¼	68.66	68.66xd	73.24	-0.59	0
TR Smaller Cos	5¼	76.59	76.59	81.47	+0.01	2.38
TR Special Ops	5¼	87.33	87.33	92.90	+0.16	3.24
TR Mgd Eq Plan Acc	5¼	36.23	36.23	38.54	-0.27	2.58
TR Mgd Eq Plan Inc	5¼	33.98	33.98	36.14	-0.26	2.58
TR Wwide Sp Sit Acc	5¼	40.17	40.17	42.83	+0.05	0
TR Wwide Sp Sit Inc	5¼	40.13	40.13	42.79	+0.05	0
TR Pension Portfolio						
TR American Gwth ♦	6	29.87	30.27	32.09	-0.54	0
TR Eur Sp Sits ♦	6	36.68	37.04	39.26	-0.08	0
TR General Growth ♦	6	25.76	26.04	27.60	-0.01	0
TR Global Tech ♦	6	30.69	31.10	32.96	-0.38	0
TR Income Growth ♦	6	25.91	26.18	27.75	-0.03	0
TR Japan Growth ♦	6	27.26	27.50	29.15	-0.09	0
TR Mgd Equity ♦	6	27.79	28.09	29.77	-0.09	0
TR Overseas Growth ♦	6	29.44	29.85	31.64	-0.25	0
TR Smaller Cos ♦	6	18.10	18.29	19.39	+0.06	0
TR Special Ops ♦	6	17.95	18.14	19.23	+0.06	0
TR Stg Liquidity ♦	6	26.27	26.79	27.84	----	0
TR Wwide Sp Sits ♦	6	32.60	33.06	35.04	-0.83	0
Trades Union Unit Tst Mngrs (1200)H						
NLA Tower, Addiscombe Road, Croydon 081-686 4355						
TUUT	5	253.3	258.6	272.2	-0.6	3.18
Triton Fd Mngrs. Ltd. (1000)H						
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400						
Triton General	5¼	171.3	173.9	185.0	-1.10	3.29
Tyndall Unit Tst Mngrs Ltd (1600)F						
25 Bucklesbury, London EC4N 0800 373574						
Austral Value	5¼	41.14	41.14	43.62	-0.01	–
British Lion	5	89.00	89.00	94.35	-0.36	4.03
Accum Units	5	94.05	94.05	99.70	-0.38	4.03
Capital Defender	5	38.07	38.07	40.36	+0.01	12.78
Accum Units	5	43.47	43.47	46.09	+0.01	12.78
1992 Eurogrowth Acc	5¼	79.58	79.58	84.36	+0.22	1.09
Income	5	78.13	78.13	82.83	-0.14	8.07
Accum Units	5	89.94	89.94	95.35	-0.16	8.07
Smaller Co's	5	70.97	70.97	75.24	-0.02	3.56
Accum Units	5	74.09	74.09	78.54	-0.03	3.56
Tiger Accum H.	5¼	76.74	76.74	81.36	-0.39	1.83
UK Unit Trust Managers Ltd (0905)F						
Worthing Road, Horsham, RH12 1SL 0403 40033						
British Growth	5¼	63.35	64.89	69.03	-0.54	2.16
Technical Analysis	5¼	63.80	64.39	68.50	-0.34	1.29
UTAM Ltd (1300)F						
1 White Hart Yard, London Bridge, SE1 071-407 5966						
Advisors Henderson Crosthwaite Ltd						
Friars Hse Cap	5½	208.9	208.9	228.3	+07.1	2.74
Friars Hse Inc	5½	168.7	168.7	185.9	+0.7	4.48
United Charities Unit Trusts (1000)H						
Unicorn Hse, 252 Romford Rd. E7 081-534 5544						
United Charities	5	191.1	193.0xd	205.9	-0.6	5.20
Wardley Unit Tst Mngrs Ltd (1300)H						
3 Harbour Exchange Sqr, London E14 9GJ 071-955 5055						
American ♥	5¼	71.01	71.01	75.94	-0.59	1.5
Intl Growth	5¼	82.79	82.79xd	88.54	-0.46	0.8
Income	5¼	125.2	125.2	133.9	-0.70	6.2
Japan Growth	5¼	219.7	219.7	234.9	-0.30	–
Pacific Perf	5¼	143.8	143.8	153.7	-0.90	0.1
Technology		–	–	–	(z)	–
Australia	5¼	55.60	55.60	59.46	-0.11	3.2
UK Growth	5¼	169.8	169.8xd	181.6	-0.70	2.6
European Growth	5¼	81.39	81.39	87.04	-0.16	–
Hong Kong	5¼	37.31	37.31	39.90	+0.24	3.0
Intl Income	5¼	20.30	20.30	21.71	-0.05	7.2
S'pore & Mlyn Gth	5¼	41.47	41.47xd	45.04	+0.06	0.1
Japan Smllr Cos	5¼	33.19	33.19	35.49	+0.04	–
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	6	10.83	10.83	21.52	-0.13	0.00
Pacific Basin	6	30.08	30.08	32.0	-0.32	0.60
Can Balncd Gwth ♦	6	43.93	43.93	46.79	-0.34	0.10
Global Bond ♦	4	0.9538	0.9538xd	0.9935	-0.004	8.47
Penny Share	6	24.74	24.74xd	26.31	-0.25	0.50
Wessex Asset Management (1330)F						
37a Jewry St, Winchester, Hants SO23 8RY 0962 842727						
Wessex UK Gwth	4½	112.7	116.4	121.3	+0.7	3.74
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 071-606 3132						
Challenger ♦ F	2¼	62.81	62.81	64.58	-0.38	1.95
Short Dtd Gilt ♥ F	1¼	83.04	83.04	84.19	-0.02	0.00
U.S. Govmt Bond ♦ F	1¼	5918	.5918	.5994	-0.008	0.00
Wilibro Financial Services Ltd (0905)F						
PO Box 515, 6 Broadgate, London EC2 071-588 7511						
Aust Friars W'wide	5	194.6	197.5	210.1	+1.7	2.51
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 071-405 8331						
Convtbl & Equity	5	50.58	50.58	53.91	+0.08	10.05
European	5	87.81	88.01	93.62	-0.28	0.07
Far Eastern	5	79.16	79.75	84.83	+0.02	0.56
Growth Inc.	5	74.85	74.85	79.78	+0.33	2.52
Growth Acc.	5	74.94	74.94	79.88	+0.33	2.52
Income Inc	5	74.97	74.97	79.91	+0.19	4.84
Income Acc	5	75.09	75.09	80.04	+0.19	4.84
Property Share	5	40.43	40.43	43.10	-0.09	4.32
Smaller Co's	5	34.12	37.45	39.84	-0.05	2.41
Nth American	5	64.07	64.07	68.52	-0.45	1.15
International	5	48.35	48.39	51.70	-0.38	1.44
Asset Value	5	164.86	164.86	176.31	-0.05	3.81
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 071-588 0692						
Intl Growth	5	113.37	113.37xd	119.33	+3.30	3.30
UK Growth	5	104.94	104.94xd	110.47	+5.49	3.54
UK Income	5	100.08	100.08xd	105.35	+1.78	6.00
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge Huddersfield 0484 602250						
Yorkshire General	5¼	55.79	55.79xd	60.53	+0.37	2.95
YUTM UK Eqty Inc Tst	5¼	60.59	60.59	65.13	+0.22	4.92
YUTM Intl Gwth Tst ♦	5¼	55.70	55.70	59.39	-0.16	0.15

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Exmpt May 16	596.2	618.2	+17.5	0.63
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund May 31	534.20	538.15	----	5.16
Fxd Int Sec May 31	124.75	125.35	----	11.57
Deposit May 31		100.00	----	14.92
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
C'inco Inc May 30	147.2	151.0xd	+0.10	10.86
C'inco Acc May 30	671.2	688.8xd	+0.80	10.86
C'share Inc May 30	159.2	165.6xd	+2.10	3.50
C'share Acc May 30	181.8	189.2xd	+2.40	3.50
CAFINVEST–Charities Aid Foundation				
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333				
Balanced Growth	53.41	55.08	----	4.00
Income	49.37	50.38	----	8.00
COIF–Charities Official Inv Fd‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Income May 31	510.36	511.09	----	5.29
Accum May 31	1769.03	1782.70	----	–
Fixed Int Income May 31	101.15	101.35	----	11.47
Fixed Int Accum	–	–	----	–
Deposit Account: see Money Market Trust Funds				
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American June 6	152.6	156.8	+5.9	1.43
Managed June 6	143.8	149.2	+4.4	1.94
Japan June 7	125.5	129.0xd	+1.0	0.16
Pacific June 1	576.2	592.0	-9.4	0.18
Sm Jap Cos June 1	557.7	573.0	+16.2	0.08
Fidelity Investment Services Ltd				
Mngd Pens P folio	130.5	133.7	----	0.10
Robert Fleming Asset Mngmt Ltd				
Am Exempt June 5	£458.93	465.61	----	2.05
Gen Exempt June 5	£130.12	132.84	----	3.54
Jap Exempt June 5	£560.36	571.27	----	0.69
Pacific Exempt June 5	£102.06	104.23	----	2.86
[illegible] June 5	£111.07	113.26	----	2.96
[illegible] Exempt May 31	£120.54	123.56	----	4.55
American Exmt May 31	£99.41	100.41	----	3.15
Japan [illegible] Exmt May 31	£76.66	78.42	----	0.51
Euro [illegible] Exmt May 31	£120.54	123.56	----	4.55
[illegible] Exmt May 31	£105.51	107.86	----	1.98
Foreign & Colonial Pens Mngt Ltd				
Exempt Funds				
Anglo-Nippon June 4	1985.5	2080.1	+2.4	0.94
European Inc June 4	126.9	133.6	+1.4	1.84
European Acc June 4	135.3	142.5	+1.5	1.84
North American June 4	596.8	618.9	+21.9	1.81
Sthn East Asia June 4	339.2	356.2	+9.0	2.79
Funds in Court*				
Capital May 26	488.6	488.9	----	2.11
Gross May 26	189.2	190.1	----	8.42
High Yield May 26	280.9	291.9	----	6.62
*Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	52.69	54.89	-0.09	3.91
Lazard Brothers & Co. Ltd				
Property [illegible]	£2850.0	2995.0	----	5.3
[illegible] Jan 24	£1525.0	1600.0	----	6.3
Lazard Investors Ltd ‡‡				
Exempt Funds				
[illegible] May 31	£3722.8	3926.5	----	3.7
European May 30	£615.3	627.5	----	1.6
[illegible] May 30	£341.8	349.2	----	3.1
[illegible] May 30	£649.2	660.9	----	0.8
[illegible]	£133.6	136.3	----	4.0
[illegible]	£146.0	159.1	----	1.2
[illegible]	£146.7	159.0	----	1.8
[illegible]	£231.0	250.4	----	0.8
[illegible]	£59.3	62.8	----	1.8
[illegible]	£160.9	179.8	----	1.8
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
[illegible]	222.95	234.10	----	6.15
Property [illegible]	878.40	890.70	----	4.00
[illegible]	68.35	88.80	----	10.77
Fxd Int Sec May 31				
*Available only to Local Authorities				
M & G Securities Ltd				
Charifund	93.10	93.10	-0.3	11.60
[illegible]	466.0	466.0	-1.7	11.60
NAAGIT June 6	–	41.4	+1.0	9.74
MAM Ltd				
Exempt Funds				
[illegible]	1271.0	1372.0	----	–
[illegible]	66.40	70.80	----	–
[illegible]				
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
[illegible] June 5	124.3	133.3	----	3.07
[illegible] June 5	577.0	631.4	----	1.98
UK Small Cos June 5	95.76	101.7	----	8.49
[illegible] June 5	153.9	164.3	----	0.00
[illegible] June 5	108.5	115.4	----	0.00
[illegible] June 5	102.9	107.5	----	7.09
Intl Bond June 5	81.49	86.95	----	0.00
Japan June 5	105.7	113.3	----	0.00
European June 5	103.5	111.0	----	0.00
Nth American June 5				
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
[illegible] June 6	51.9	53.9	----	2.21
[illegible] June 6	61.3	64.3	----	2.22
[illegible] June 6	41.5	42.7xd	----	11.89
Fixed Int [illegible] June 6	52.3	54.5	----	0.44
Japan [illegible] June 6	44.3	46.0	+0.5	4.91
[illegible] June 6	74.3	77.7	----	5.09
[illegible] June 6	37.2	39.0xd	----	4.94
[illegible] June 6	43.2	44.2	----	4.43
[illegible] June 6				
Phillips & Drew Fund Management Ltd				
[illegible] June 6	746.8	795.4	+55.8	4.45
[illegible]	813.8	866.7	+60.8	4.45
[illegible]	183.4	191.5	----	2.4
[illegible] May 31	1136	1147	+107	4.45
[illegible] June 6	1163	1183	+110	4.45
[illegible]	91.17	93.32	----	8.5
[illegible] June 4	874.8	885.9	----	1.95
[illegible] June 4	874.8	885.9	----	1.95
[illegible]	722.8	733.5	----	1.95
[illegible] June 4	722.8	733.5	----	1.95
[illegible]	1005	1010	----	3.1
[illegible] June 4	1005	1010	----	3.1
[illegible]	1044	1069	----	2.2
[illegible] June 4	1044	1069	----	2.2
[illegible]	954.1	979.6	----	4.9
[illegible] June 4	954.1	979.6	----	4.9
[illegible]	99.18	100.6	----	5.00
[illegible] March 31				
NM Rothschild Asset Management Ltd				
NC Managed	59.0	62.8xd	-0.3	3.67
NC Property	191.9	209.7	----	–
J. Rothschild Fund Managers Ltd				
Intl Exempt	146.0	147.7	----	3.18
Stewart Ivory & Co Ltd				
[illegible] PPP May 14	258.1	271.7	----	0.00
Closed to new business				
Thornton Unit Managers Ltd				
[illegible]	104.52	111.62xd	----	3.70
(Accum Units)	105.33	112.49xd	----	3.70
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1295	1310xd	----	1.38
TR Exempt Nth Amer	1012	1027xd	----	3.16
TR Exempt Pac Basin	962	976xd	----	0

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
(Managed by M & G Inv Mngt Ltd)				
[illegible]	–	265.4	----	–
Abbey Life Assurance Co Ltd				
[illegible] Road, Bournemouth 0202 292373				
[illegible]	299.2	315.0		–
[illegible]	133.9	141.0	-1.2	–
[illegible]	462.0	486.3		–
[illegible]	155.2	163.4	-1.4	–
[illegible]				
Abbey Life Assurance Co Ltd—Contd.				
Selective Acc.	352.5	371.1	-2.0	–
Prop. Ser. 4	363.8	383.0		–
Equity Ser. 4	157.9	166.3	-1.8	–
Man. Ser. 4	450.1	473.8	-2.4	–
Fixed Int. Ser. 4	215.8	227.3	-1.9	–
Indexed Inv. Ser. 4	146.1	153.9	-0.6	–
American Ser. 4	333.5	351.1	-2.3	–
Japan Ser 4	307.9	324.2	-1.4	–
European Ser 4	130.1	137.0	+0.4	–
High Inc. Ser. 4	473.2	498.2	-2.8	–
Money Ser. 4	250.0	263.2		–
Int'l Ser. 4	116.5	122.7	-0.4	–
Custodian Ser. 4	105.1	110.7	-0.6	–
Pension Funds				
Property	648.0	682.2		–
Equity	1162.9	1224.2	-13.7	–
Selective	382.9	403.1	-2.3	–
Managed	862.1	907.5	-7.3	–
Security	494.1	520.2		–
Fixed Int.	258.7	272.4	-2.1	–
Indexed	159.1	167.5	-0.7	–
American	282.9	297.8	-2.5	–
Japan	326.8	344.0	-1.7	–
European	191.3	201.4	+0.8	–
High Income	131.2	138.2	-0.8	–
Ethical	120.9	127.3	-0.1	–
International	215.3	226.7	-0.7	–
Acorna Life Assurance Ltd				
The Glanty, Egham, Surrey TW20 9AT 0784 475330				
Managed	175.3	184.4	-0.3	–
World Growth	149.0	156.8	-0.6	–
UK Equity	203.4	214.1		–
UK Small Companies	173.1	182.2	-0.2	–
European	155.5	163.6	-0.5	–
Far Eastern	312.1	328.5	-0.3	–
Nth American	117.2	123.3	-0.9	–
Fixed Interest	126.0	132.6	-0.8	–
Index Linked Stk.	143.3	150.8	-0.3	–
Money	128.2	134.9	+0.1	–
Pen Managed	223.8	235.6	-0.2	–
Pen World Growth	164.5	173.2	-1.1	–
Pen UK Equity	289.5	304.7	+0.2	–
Pen UK Small Cos	218.9	230.4	+1.9	–
Pen European	154.0	162.1	-1.0	–
Pen Far Eastern	468.3	492.9	-3.9	–
Pen Nth American	118.9	125.1	-0.9	–
Pen Fixed Interest	152.8	160.8	-0.9	–
Pen Index Lnkd Stk.	153.3	161.3	----	–
Pen Money	148.3	156.1	----	–
AEtna Life Insurance Co Ltd				
2-12 Pentonville Rd, London N1 9XD 0800 010575				
Life Funds (Accumulation Units)				
Squirrel	13.77	14.50	+0.01	–
Bear	13.79	14.52	-0.08	–
Owl	16.67	17.55	-0.13	–
Bull	15.19	15.99	-0.06	–
Stag	15.50	16.32	-0.09	–
Gilt-Edged		11.96	-0.05	–
Deposit		12.36	+0.02	–
North American	10.61	11.17	+0.01	–
European	11.97	12.60	----	–
Property	7.94	8.36	-0.08	–
Index Linked	11.05	11.64	-0.01	–
Far Eastern	12.12	12.76	-0.02	–
UK Equity	11.97	12.60	-0.07	–
Fixed Interest	10.62	11.18	-0.05	–
Gilt Edged (89)	9.45	9.95	-0.02	–
1982 Series				
UK Equity	261.00	274.74	-0.23	–
North American	207.29	218.21	+0.11	–
Far Eastern	345.93	364.14	-0.60	–
Fixed Interest	184.25	193.96	-0.59	–
Cash Deposit	156.51	164.75	+0.04	–
Property	107.89	113.57	-0.96	–
Special Opportunities	260.24	273.94	+0.22	–
Managed	232.85	245.11	-0.27	–
Index Linked Fund	143.73	151.30	-0.16	–
Pre-1982 Series				
3 Way	420.61	420.62	-0.86	–
Equity	768.70	768.71	-0.64	–
Bond	419.12	419.13	-1.27	–
Property	205.79	205.80	-1.74	–
Overseas Investment	300.06	300.07	-0.10	–
Pension Funds (Accumulation Units)				
Squirrel	16.89	17.78	----	–
Bear	17.14	18.05	-0.12	–
Owl	21.70	22.85	-0.17	–
Bull	19.34	20.36	-0.08	–
Stag	18.72	19.71	-0.03	–
Gilt Edged		13.68	-0.05	–
Deposit		14.45	+0.02	–
North American	10.79	11.36	----	–
European	12.82	13.50	----	–
Property	9.45	9.95	-0.09	–
Index-Linked	11.68	12.30	-0.01	–
Far Eastern	13.45	14.16	-0.03	–
UK Equity	14.39	15.15	-0.09	–
Fixed Interest	11.98	12.62	-0.08	–
Gilt Edged (89)	9.91	10.44	-0.05	–
1982 Series				
Managed	284.91	299.91	-0.53	–
Pre 1982 Series				
Aetna Life				
3 Way	682.26	682.27	-1.55	–
Equity Pensions	1200.37	1200.38	-1.17	–
Aetna Pensions Ltd				
3-Way Managed	613.09	645.35	+36.01	–
Exempt Approved				
Mixed Managed	204.30	208.47	-0.98	–
Gilt Edged		13.68	-0.05	–
Gilt	98.52	100.54	-0.29	–
British Equity	94.79	96.73	-0.71	–
Worldwide Equity	91.61	93.48	-0.05	–
Property (Shares)	78.48	80.09	-0.67	–
Albany Life Assurance Co Ltd				
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311				
Life Funds				
Brit Blue Chip Fd Acc(z)	151.6	159.5	-1.3	–
Equity Fd Acc(z)	1084.5	1141.6	-9.8	–
European Fd Acc(z)	306.7	322.8	+2	–
Intl Fxd Int. Fd Acc(z)	210.1	221.1	-0.3	–
Fixed Int Acc(z)	341.5	359.4	-0.3	–
Gtd Money Fd Acc(z)	256.3	269.8	+0.1	–
High Income Fd Acc(z)	121.7	128.0	-1	–
Intl Man Fd Acc(z)	418.3	440.3	-1.3	–
Japan Fd(z)	305.2	321.2	+0.5	–
UK Smllr Co's Fd Acc(z)	107.5	113.1	+0.1	–
Europlus Metro	137.1	144.2	-0.2	–
Global Metro	105.1	110.6	-0.3	–
Sunrise Metro	128.5	135.2	+0.1	–
UK Metro	107.3	112.9	-0.6	–
Nth American Fd Acc(z)	232.0	244.1	-4.2	–
Pac Basin Fd Acc(z)	156.6	164.8	-2.1	–
Prop Fd Acc(z)	337.7	355.4	+0.5	–
Millennium	101.6	107.0	-0.9	–
Multiple Inv Acc(z)	740.7	779.6	-8.8	–
Pension Funds				
Brit. Blue Chip Acc(z)	172.2	181.2	-2	–
Eq Pen Fd Acc(z)	2147.4	2260.4	-25.9	–
Euro Fd Acc(z)	429.7	452.2	+5.7	–
Fixed Int. Acc.(z)	732.2	770.6	-0.5	–
Gt Money Pn Acc(z)	487.2	512.8	+0.2	–
High Interest [illegible]	[illegible]	[illegible]	[illegible]	–
High Income [illegible]	129.4	136.1	-1.1	–
Intl Man Fd(z)	640.1	673.8	-2.7	–
Jap Pen Fd Acc(z)	430.1	452.6	+0.9	–
UK Smllr Co's Fd Acc(z)	112.7	118.6	+0.1	–
Europlus Metro	156.6	164.8	-0.3	–
Global Metro	110.6	116.3	-0.5	–
Sunrise Metro	143.9	151.4	+0.1	–
UK Metro	113.6	119.5	-0.8	–
N Am Pn Fd Acc(z)	303.1	319.0	-7.2	–
Pac Basin Fd Acc(z)	183.1	192.4	-3.4	–
Property(z)	584.4	615.2	+0.2	–
Mtple Inv Pens Acc(z)	1522.8	1602.9	-10.5	–
Broker Funds				
YRA Strategy	128.9	135.6	-0.6	–
YRA Performance	114.8	120.8	-0.3	–
Laughton Dollar (SE)	142.7	150.2	+0.1	–
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Life Funds				
Fixed Int. Dep. Acc.	283.1	298.1	+0.1	–
Equity Acc.	930.0	979.0	-2.2	–
Property Acc.	491.4	517.3	----	–
Far East Acc.	213.2	224.5	-0.9	–
European Acc.	28.3	29.8	+0.1	–
Managed Cap.	400.3	421.4	-1.0	–
Managed Acc.	724.8	763.0	-1.6	–
O'seas Earnings Acc.	628.9	662.0	+0.2	–
Gilt Edged Acc.	305.9	322.0	-0.4	–
American Equity Acc.	491.7	517.6	-2.0	–
American Man. Acc.	225.9	236.7	-0.9	–
American Prop Acc.	136.3	143.5	-0.5	–
Gen 4				
Fixed Int. Dep Acc.	23.7	25.0	----	–
Equity Acc.	24.6	25.9	----	–
Property Acc.	23.6	24.9	----	–

Continued on next page

FT MANAGED FUNDS SERVICE

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Norwich Union Life Insurance Soc.

Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or −	Yield Gross
Unitised Life				
With Profits Fd	101.64	106.99	+0.03	–
Managed Fd	94.04	98.99	−0.16	–
UK Ord Share Fd	95.12	100.12	−0.05	–
International Fd	94.81	99.80	−0.72	–
European Fd	107.61	113.27	−0.22	–
North American Fd	95.18	100.19	−0.57	–
Pacific Fd	87.71	92.33	−0.05	–
Property Fd	98.60	103.79	+0.02	–
Fixed Int Fd	91.21	96.01	−0.47	–
Intl Bond Fd	91.03	95.83	−0.34	–
Deposit Fd	102.12	107.49	+0.02	–
Unitised Pensions				
With Profits Fd	132.46	139.43	+0.05	–
Managed Fd	147.64	155.41	−0.42	–
UK Equity Fd	152.64	160.67	−0.08	–
International Fd	159.98	168.40	−1.06	–
European Fd	173.93	183.08	−0.46	–
North American Fd	159.78	168.19	−0.77	–
Pacific Fd	129.68	136.50	−0.09	–
Property Fd	154.74	162.89	+0.06	–
Fixed Int Fd	104.52	110.02	−0.74	–
Intl Bond Fd	119.37	125.66	−0.62	–
Bldg Soc Dep Fd	126.16	132.80	+0.05	–
Pensionmaster & Unit-Linked Plus				
Mixed Fund	404.9	426.2	+1.3	–
Ordinary Share Fund	597.3	628.7	+2.6	–
International Fund	171.7	180.7	+0.3	–
Property Fund	262.5	276.3	+0.3	–
Fixed Interest Fund	294.4	309.9	+0.2	–
Index-Linked Sec Fund	171.7	180.7	+1.1	–
Deposit Fund	225.8	237.7	+0.4	–
Norwich Units May 15		930.37	–	–

*Prices as at June 5

	Bid Price	Offer Price	+ or −	Yield Gross
Jersey Investment Plan				
With Profits Fund	98.72	103.92	+0.04	–
Intl Equity Fund	97.01	102.11	−0.75	–
Intl Bond Fund	97.94	103.09	−0.35	–

Pearl Assurance (Unit Funds) Ltd

Thorpe Wood, Peterborough PE3 6SA 0733 63212

	Bid Price	Offer Price	+ or −	Yield Gross
Prop. Dist. (Gross)	170.4	179.4	–	–
Prop. Acc. (Gross)	291.4	306.8	–	–
Equity (Gross)	814.1	857.0	−5.0	–
Managed (Gross)	568.4	598.4	−2.8	–
Prop. Acc. (Net)	135.4	142.6	–	–
Equity (Net)	187.6	197.5	−1.1	–
Managed (Net)	173.2	182.4	−0.7	–
Internat'nal (net)	168.9	177.8	−0.3	–
Gilt & Fxd Interest	104.0	109.5	−0.4	–
Money Fund	115.9	122.0	–	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	571.4	601.5	−3.0	–
Ret Man (Series 2)	193.8	204.0	−1.0	–
Ret Man (Series 3)	129.1	129.1	−0.7	–
Ret Cash	155.0	163.2	+0.1	–

Provident Mutual Life Assc. Assn.

Walsworth Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Ord	338.2	356.0	−0.4	–
Managed Init	263.7	277.6	−0.3	–
Equity Ord	484.4	509.9	+1.1	–
Equity Init	377.7	397.6	+0.9	–
Index Linked Gilt Ord	144.5	152.1	−0.2	–
Index Linked Gilt Init	117.7	123.9	−0.2	–
Overseas Equity Ord	303.1	319.1	−2.1	–
Overseas Equity Init	236.3	248.7	−1.7	–
Property Ord	220.8	232.4	+0.1	–
Property Init	172.1	181.2	–	–
Fixed Interest Ord	172.1	181.2	−1.5	–
Fixed Interest Init	134.2	141.3	−1.1	–
Deposit Ord	157.3	165.6	–	–
Deposit Init	122.6	129.1	–	–
Pension Funds				
Managed Ord	423.1	445.4	−0.4	–
Managed Init	329.8	347.2	−0.4	–
Equity Ord	625.7	658.6	+1.8	–
Equity Init	487.8	513.5	+1.3	–
Pen Ind Lkd Gilt Ord	159.6	168.0	−0.3	–
Pen Ind Lkd Gilt Init	130.0	136.8	−0.3	–
Overseas Equity Ord	348.1	366.4	−2.5	–
Overseas Equity Init	271.4	285.7	−2	–
Property Ord	275.2	289.7	–	–
Property Init	214.6	225.9	–	–
Fixed Interest Ord	208.0	218.9	−1.5	–
Fixed Interest Init	162.2	170.7	−1.2	–
Deposit Ord	212.1	223.3	–	–
Deposit Init	165.4	174.1	–	–

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Prufund				
Managed June 6	250.1	260.6	+4.7	–

Prudential Holborn Life Ltd

30 Old Burlington St, London W1X 1LB 071-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Holborn Series I Life Funds				
Managed	562.1	591.7	−0.5	–
Equity	1157.7	1197.4	−24.2	–
Fixed Interest	373.8	393.5	−1.5	–
Property	435.1	458.1	–	–
Cash	285.8	300.9	–	–
International	405.8	427.2	−4.1	–
Holborn Series II Life Funds				
Managed	549.6	578.6	−8.3	–
Equity	1109.6	1168.1	−24.6	–
International	397.0	417.9	−4.0	–
Fixed Int	363.2	382.4	−1.4	–
Property	423.1	445.4	–	–
Cash	278.2	292.9	–	–
Pacific Basin	213.3	224.6	−0.6	–
North American	156.3	164.6	−2.7	–
European	194.8	205.1	−2.0	–
Holborn Balanced Gwth	115.2	121.3	−0.1	–
Holborn Strategic Gwth	115.5	121.6	−0.1	–

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

JERSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Drexel Burnham Lambert				
Finsbury Group Limited	NAV June 1 US$131.55			
Winchester Capital Limited	NAV Mar 23 US$100.92			
McDonnell & Co – Contd.				
McD Bridgewater Fd	$7.51	7.89		
McD US Equity	$10.16	10.67	-0.02	
McD Sabre Gld Ltd Fd	$9.15	9.61	-0.02	
McD Forex Fd	$10.24	10.75		
McD US Govt Secs Fd	$10.3	10.45	-0.02	
Magnum Fund Mngmt (Bermuda) Ltd				
Sterling Class	£4.74			
US Dollar Class	$9.13			
DM Class	DM20.25			
Malacca Fund (Cayman) Limited				
Union-Investment-Gesellschaft GmbH				
Unirenta	DM35.07	36.20	+0.10	
Warburg Inv Mngmt (Isle of Man) Ltd				
Sterling Fd BOPUPs	£10.21	10.22		
Sterling Fd OPUPs	£11.59	11.67		
DM Fd BOPUPs	DM10.07	10.08		
DM Fd OPUPs	DM10.33	10.41		
Yen Fd BOPUPs	$7.65	7.66		
Yen Fd OPUPs	$10.47	10.54		
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$13.43	14.24	+0.02	0.77
Japanese Warrants	$9.33	4.88	+0.13	
Asian Warrants	$10.09	10.69	-0.02	
European Warrants	$10.27	10.88	+0.04	
Wells Fargo U.S. IT Fund				
NAV June 5		$10.08		
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.0031		
Xiphias Int ECU		Ecu1.0087		

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Cafcash Deposit Fd	14.92	–	15.78	3-Mth
The CDIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	14.95	–	15.81	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			071-236 1425	
Call Fund	14.33	11.18	15.32	6-Mth
7-day Fund	14.46	11.28	15.46	6-Mth
Special Fund	14.7	–	16.12	3-Mth
Dollar	7.0	5.46	7.43	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road EC1Y 2AY			071-638 6070	
Treasury Acc	13.50	10.53	14.60	Qtr
Mnthly Chq £2,500-£4,999	13.50	10.53	14.73	Mth
Mnthly Chq £5,000-£49,999	14.00	10.92	15.31	Mth
Mnthly Int Chq £50,000+	14.50	11.31	15.88	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			071-629 6802	
GARNIA (£2,000+)	14.79	11.53	16.210	Mth
HICA (£2,000+)	13.90	10.84	15.196	Mth
PHOENIA (£250,000+)	14.90	11.62	16.349	–
American Express Bank Ltd				
c/o American Express Financial Services Limited, 49 The Martlets, Burgess Hill, West Sussex RH15 9NW 0444 870088				
High Performance Cheque Account				
£1,000-£4,999	12.16	9.50	12.87	Mth
£5,000-£9,999	12.30	9.60	13.01	Mth
£10,000-£24,999	12.81	10.00	13.59	Mth
£25,000+	13.58	10.60	14.46	Mth
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN			071-625 7000	
2,000-9,999	13.782	10.750	14.921	Qtr
£10,000+	14.103	11.000	15.283	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH			071-601 6746	
BM Chq Acc £2,500-£24,999	13.4	10.45	14.62	Mth
£25,000+	13.65	10.64	14.91	Mth

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar drifts in routine trading

THE DOLLAR is trapped in a narrow range and no other major currency is being thrust under the spotlight at present. This is leading to dull routine trading, with the dollar meeting resistance if it moves towards DM1.70, but also finding strong support at around DM1.6850.

Speculation about lower US interest rates - against a background of a sluggish economy and moves to cut the US budget deficit - is tending to weigh against the dollar. At the same time uncertainty about the future of a united Germany, plus growing unrest and economic problems in the Soviet Union, are providing support on the basis of the dollar's safe haven status. In London the dollar drifted down to close at DM1.6870, compared with DM1.6905 on Tuesday. It also fell to SFr1.4285 from SFr1.4350; to FFr5.6900 from FFr5.7000; and to Y152.55 from Y152.60. The dollar's index declined to 67.6 from 67.8.

Sterling showed little change, moving up with other European currencies against the dollar, to close 45 points higher at $1.6885. Fading expectations of early British entry into the Exchange Rate Mechanism of the European Monetary System have moved the pound to the sidelines. Sterling finished unchanged at DM2.8475, while easing to SFr2.4125 from SFr2.4175, but rose to FFr9.6075 from FFr9.6000 and to Y257.50 from Y257.00. The pound's index climbed 0.1 to 89.3.

The Portuguese escudo was firm, following comments from Mr Anibal Cavaco Silva, the Portuguese Prime Minister, about probable entry of the currency into the ERM. He said: "I think the date for the escudo joining the ERM is not very far off." Mr Cavaco Silva added that the Government does not wish to impose tight restrictions on the economy or an austerity programme - Portugal's inflation rate of nearly 13 per cent and its Budget deficit are regarded as problems in moving the currency into the ERM - but he indicated that his country must participate from the start in European economic union. At the London close the D-Mark had weakened to Es87.87 from Es87.96 against the escudo.

Among full members of the EMS trading was quiet, with the bottom placed French franc holding steady against the Italian lira. The franc was fixed at L218.15 in Milan, slightly above its floor of L218.13, and finished at L218.15 in London. The Bank of Italy bought DM42m at the fixing as the D-Mark rose to L735.60 from L735.35. This was the sixth successive day of intervention by the Italian central bank, but dealers noted that the action was less aggressive than of late.

In Paris the Bank of France did not appear to give any support to the franc, and did not raise official French interest rates at a securities repurchase tender. This suggests the French authorities believe they can maintain a relaxed view about the franc's weakness in the EMS while the D-Mark is also depressed.

£ IN NEW YORK

June 6	Latest	Previous Close
£ Spot	1.6890-1.6900	1.6865-1.6875
1 month	0.95-0.94pm	0.98-0.97pm
3 months	2.81-2.79pm	2.76-2.74pm
12 months	9.39-9.32pm	9.35-9.28pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

*Selling rate

EURO-CURRENCY INTEREST RATES

Jun 6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14¾-14⅝	14¾-14⅝	15-14½	15⅛-15⅛	15⅛-15⅛	15⅛-14½
US Dollar	8¼-8⅛	8¼-8⅛	8¼-8⅛	8⅜-8⅛	8⅞-8⅝	8⅞-8⅝

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EMS EUROPEAN CURRENCY UNIT RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

BASE LENDING RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKETS

London rates steady

TRADING WAS calm and steady on the London money market yesterday, with dealers seeing little prospect of any early change in UK bank base rates. Three-month interbank was quoted at 15⅛-15⅛ per cent, compared with 15⅛-15⅛ on Tuesday, and 12-month money was unchanged at 15⅛-14⅞ per cent.

Short sterling futures continued to trade quietly on Liffe. September delivery opened slightly weaker at 85.29, and after staying in a very narrow range closed at 85.29 against 85.30 previously.

UK clearing bank base lending rate 15 per cent from October 5

The Bank of England initially forecast a day-to-day credit shortage of £800m on the money market, but revised this to £650m at noon. Total help of £621m was provided.

Before lunch the authorities bought £256m bank bills outright, in band 2 at 14¾ per cent. In the afternoon another £315m bank bills were purchased, in band 2 at 14¾ per cent, and late assistance of around £50m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £371m, with Exchequer transactions absorbing £250m, a rise in the note circulation £140m, and bank balances below target £25m.

In Frankfurt call money was steady at 7.85 per cent, despite a move by the Bundesbank to drain a net DM5.1bn in liquidity at this week's securities repurchase agreement tender. The central bank accepted bids totalling DM24bn - split between DM14.1bn of 28-day funds and DM9.9bn of 56-day money - compared with two expiring pacts of DM29.1bn.

Dealers were not unhappy with the situation however, commenting that banks reserve holdings are high and it is better that the Bundesbank takes money out of the system now, rather than later in the month. Reserve holdings for the first four day's of June were DM66.8bn, against expectations that the Bundesbank will set a requirement of about DM59bn for the whole month.

In Paris the Bank of France left its money market intervention rate at 9½ per cent and its five to 10-day repurchase rate at 10¼ per cent when injecting funds at a securities repurchase tender. The central bank drained FFr11.6bn at the tender, by accepting bids of only FFr36.1bn, against an expiring facility of FFr47.7bn.

GT INVESTMENT FUND
Société d'Investissement à Capital Variable
Registered Office:
2, boulevard Royal, L-2953 Luxembourg
R.C. Luxembourg No. B 7443

Notice is hereby given to the shareholders, that the

ANNUAL GENERAL MEETING

of shareholders of GT INVESTMENT FUND will be held at the head office of Banque Internationale à Luxembourg, Société Anonyme, 2, boulevard Royal, L-2953 Luxembourg, on Friday, 15 June, 1990 at 10.00 a.m. with the following agenda:

1. To hear and accept the Reports of:
   a. The Directors
   b. The Auditor.
2. To approve the Report of the Directors for the year ended 31st December, 1989 including the Statement of Net Assets as at 31st December, 1989 and Statement of Operations for the year ended 31st December, 1989.
3. To discharge the Board of Directors and Auditor with respect of their performance of duties from 1st January, 1989 to 31st December, 1989.
4. To elect as Directors to serve until the next Annual General Meeting of Shareholders: D.H. Fitz William-Lay, G. Arendt, P. Aymard, J.A. Dick, A. Elvinger, R. Hallberg, G. de Mailly Nesle, R. Reimpell, J. Vroegop, K. Izumida, H. Nakajima, A. Kohara.
5. To elect as Auditor to serve until the next Annual General Meeting of Shareholders: Coopers & Lybrand S.C.
6. To declare a dividend in respect of the year ended 31st December, 1989.
7. Any other business.
8. Adjournment.

The shareholders are advised that no quorum is required for the items on the agenda of the Annual General Meeting and that decisions will be taken on a simple majority of the shares present or represented at the meeting.

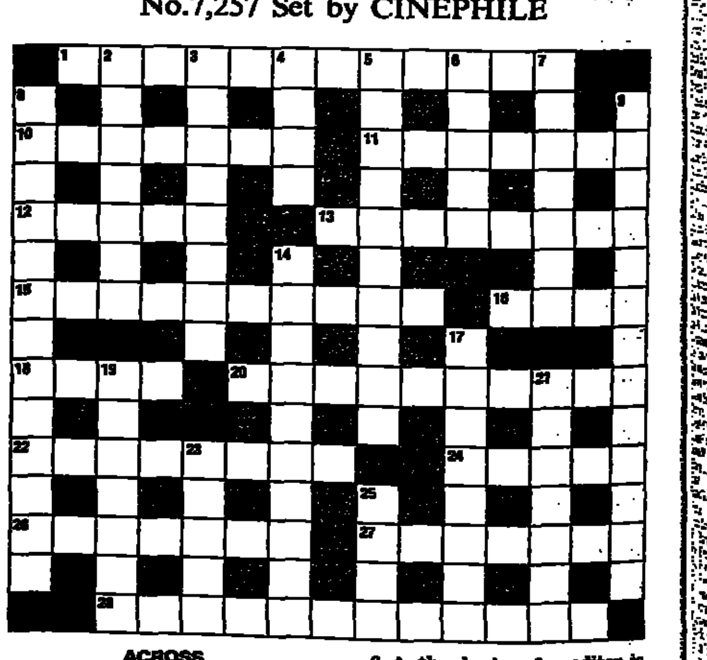
In order to take part at the meeting of 15 June, 1990, the owners of bearer shares will have to deposit their shares five clear days before the meeting with one of the following banks who are authorized to receive the shares on deposit:

— Banque Internationale à Luxembourg, 2, boulevard Royal, L-2953 Luxembourg
— Crédit Industriel et Commercial, 66, rue de la Victoire, F-75009 Paris

THE BOARD OF DIRECTORS

CROSSWORD

No.7,257 Set by CINEPHILE



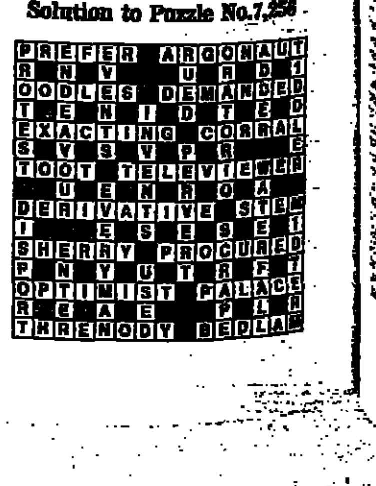
ACROSS

1 Honestly angry compiler's feelings? (5,2,5)
10 Stately (as it were) home for princess (7)
11 First of July, ducks (as one might say) (7)
12 The capture of Paris that started a war (5)
13 Surgeon with thanks about to stop feud (8)
15 He's turning out one whose charges aren't up (5,5)
16 Fiddler from one roof (4)
18 Jug for prepositions (4)
20 Ophthalmic examination of opposition front-bencher at sporting event (6,4)
22 Firm has operating deficit with America: it's huge (8)
24 Source of wine in church? (5)
26 Watch for yobbo around 'anger? (4,3)
27 One among two little kings entertained by father with seasoning (7)
28 Season with a lot of money, like a jack-in-the-box? (6,6)

DOWN

2 Merchant seaman's duster may be left (3,4)
3 Don't move coach with King Cole in it (8)
4 Porridge for breakfast, for example (4)
5 County with some uncertainty located in other Hebrides (10)
6 A theologian for editor is extra (5)
7 Act without number in there? (7)
8 Bone with wrong tag swallowed by faithless hook, line and sinker (7,6)
9 Best of two sailors as cooking aid (5,2,6)
14 Continue to advance, surrounding target, in a simple operation (4,6)
17 Flower, very small, eaten by a pest possibly (5,3)
19 Irritable at request to pay (most) debts (7)
21 Learners may hope to, lengthways (7)
23 Trail's not very good! (5)
25 Love for friend is precious (4)

Solution to Puzzle No.7,256



WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

ITALY (continued) [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

JAPAN [illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices June 5

[illegible]

MONTREAL
Closing prices June 5

[illegible]

Total Sales 5,302,300 shares.

INDICES

NEW YORK

DOW JONES	June 5	June 4	June 1	May 31	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2925.00	2935.19	2900.97	2876.66	2935.19 (4/6)	2543.24 (30/1)	2935.19 (4/6/90)	41.22 (2/7/32)
Home Bonds	90.91	90.68	90.61	90.26	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1212.59	1207.85	1190.15	1171.53	1212.59 (5/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.10	215.42	211.71	211.39	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2956.55 (2943.69) Low 2911.89 (2883.98)

STANDARD AND POOR'S	June 5	June 4	June 1	May 31	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	366.64	367.40	363.16	361.23	367.40 (4/6)	322.98 (30/1)	367.40 (4/6/90)	4.40 (1/6/32)
Industrials	426.85	428.34	424.05	422.14	428.34 (4/6)	371.92 (30/1)	428.34 (4/6/90)	3.62 (21/6/32)
Financial	31.41	31.15	30.39	29.94	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	199.93	200.21	198.03	196.94	200.21 (4/6)	178.43 (30/1)	200.21 (4/6/90)	4.46 (25/4/42)
Amex Mkt. Value	363.83	364.40	363.83	363.06	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	464.61	465.61	462.12	458.97	465.61 (4/6)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	May 25	May 18	May 11	year ago (approx.)
Dow Industrial Div. Yield	4.01	3.99	3.93	3.34

	May 30	May 23	May 16	year ago (approx.)
S & P Industrial div. yield	2.93	2.94	2.98	3.18
S & P Indl. P/E ratio	16.89	16.08	15.49	12.79

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Philip Morris	3,106,400	44⅞	- ⅛
Phillips Ind	2,483,800	17¼	+ 3¼
IBM	2,351,900	120⅝	+ ⅝
Citicorp	2,347,800	25	+ ⅜
McDonalds	2,064,600	35¼	- ⅝
AMR Corp	2,009,200	68⅞	+ 1⅞
Fannie Mae	1,939,200	42⅞	- ⅝
BankAmerica	1,854,700	33⅛	+ ½
Schlumberger	1,814,800	55⅞	- 2⅝
Gen Motors	1,705,900	49⅞	- ½

TRADING ACTIVITY

† Volume Millions	June 5	June 4	June 1
New York	199.664	175.520	187.860
Amex	12.078	11.756	13.732
NASDAQ	(u)	142.167	168.058
Issues Traded	2,036	2,010	2,020
Rises	755	1,101	978
Falls	811	463	573
Unchanged	470	446	469
New Highs	69	83	72
New Lows	36	27	17

CANADA

TORONTO	June 5	June 4	June 1	May 31	1990 HIGH	1990 LOW
Metals & Minerals	3235.60	3258.40	3239.10	3217.20	3453.05 (4/1)	2850.80 (23/4)
Composite	3596.70	3601.50	3593.00	3581.99	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1870.14	1868.57	1859.94	1852.09	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	June 6	June 5	June 4	June 1	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1526.9	1528.8	1524.9	1513.8	1713.7 (2/1)	1434.5 (30/4)
All Mining (1/1/80)	748.8	749.1	750.1	748.5	860.5 (5/1)	715.3 (1/5)
AUSTRIA						
Credit Aktien (30/12/84)	583.27	585.24	(c)	562.17	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6342.54	6344.27	(c)	6304.75	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	377.44	(c)	(c)	377.24	380.47 (28/3)	352.96 (25/4)
FINLAND						
Unitas General (1975)	578.7	575.7	577.1	577.2	677.3 (23/1)	562.2 (11/5)
FRANCE						
CAC General (31/12/82)	551.61	567.41	(c)	560.00	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	2045.43	2069.43	(c)	2087.60	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	767.46	794.23	(c)	782.21	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2275.7	2300.1	(c)	2265.0	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1849.02	1876.69	(c)	1856.95	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3172.49	3159.06	3153.22	3159.17	3172.49 (6/6)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1702.28	1709.92	(c)	1710.25	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	747.26	748.29	748.37	748.99	748.99 (1/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	32953.50	32921.62	32925.37	32891.12	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2423.07	2424.93	2427.24	2426.55	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4039.37	4013.17	3992.94	3974.62	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	(c)	586.50	583.82	586.54	622.20 (20/2)	518.53 (2/5)
NETHERLANDS						
CBS Tll.Rtn Gen.(End 1983)	266.1	268.4	(c)	268.7	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	198.4	200.0	(c)	200.3	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	852.65	859.05	(c)	858.57	859.05 (5/6)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	740.31	773.50	800.44	817.30	1160.70 (21/3)	740.31 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	432.94	433.51	433.78	434.69	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1569.04	1532.0	1517.0	1610.0	2230.0 (16/1)	1517.0 (4/6)
JSE Industrial (28/9/78)	3009.04	2992.0	2981.0	2961.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	(c)	807.97	814.40	803.64	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	286.46	288.06	286.63	283.96	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1279.20	1288.50	(c)	1269.58	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	815.0	825.1	(c)	822.1	825.1 (5/6)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	7075.58	7339.71	7347.74	7664.48	12495.34 (10/2)	6146.44 (25/5)
THAILAND						
Bangkok SET (30/4/75)	1011.09	1018.86	1032.75	1012.79	1032.75 (4/6)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	527.30	526.8	528.0	571.0 (4/1)	468.3 (2/4)

**Saturday May 26: Taiwan Weighted Price: 7857.01, Korea Comp Ex. 804.85
‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

2pm prices June 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	20¾	AAR	.48	2.2	13	459	21⅞	21½	21⅝	+ ⅛
9⅜	8	ACM n	1.01	11.		281	9	8⅞	8⅞	– ⅛
11⅜	9⅝	ACMIn	1.26	12.		339	10¼	10⅛	10⅛	– ⅛
9⅞	7⅛	ACM M	n1.01	13.		136	7⅞	7¾	7⅞	– ⅛
12⅛	10	ACMMM				160	11⅛	10⅞	11⅛	+ ⅛
11½	9⅛	ACM Sc	1.26	13.		499	9⅞	9¾	9⅞	
9⅞	8⅛	ACMSp	1.01	12.		256	8⅝	8⅛	8⅝	
24⅝	14⅜	AL Lab	.16	.7	22	378	24⅛	24	24⅛	
5⅛	2⅛	AM Intl				580	2⅛	2⅛	2⅛	
23⅛	10¼	AM In pf	2	16.		88	12⅞	12⅛	12⅝	– ⅛
107¼	62½	AMR			13	6890	69¼	68¼	68⅝	– ¼
4⅛	3	ARX				17	3½	3½	3½	+ ⅛
72¼	40⅛	ASA	3a	6.5		638	47⅛	46⅛	46¼	– ⅜
38⅝	27⅝	AbtLab	s.84	2.2	19	11334	u38½	37⅞	38½	+ ⅝
18⅝	11¼	Abitibi g	.50			90	13¼	13⅛	13⅛	+ ⅛
13	8½	AcmeC	.40	4.3	11	103	9⅛	8⅞	9⅛	+ ⅛
41⅞	28⅝	Acuson			24	247	40⅝	40	40⅛	– ⅛
16½	13¼	AdaEx	2.06e	13.		91	16⅛	16⅛	16⅛	+ ⅛
15⅛	9⅛	Adobe				209	12½	12⅛	12⅛	
20¼	17¼	Adob pf	1.84	9.4		33	19⅝	19¼	19⅝	+ ⅛
21⅛	20⅛	Adob pf	2.40	12.		2	20⅛	20⅛	20⅛	– ¼
11⅛	6⅞	AMD			22	1680	10⅛	10⅛	10⅛	
35	28¼	AMD pf	3	9.4		35	31⅞	31¼	31⅞	+ ⅛
10⅛	4⅛	Advest	.16	3.0	68	114	5⅛	5	5⅛	+ ⅛
62½	45⅛	AetnLf	2.76	5.1	9	804	54⅛	53½	53⅝	– ½
14	9⅛	AflPb	.24	2.3		317	10⅝	10½	10½	
25	16⅛	Ahmans	.88	4.0	10	2385	22⅛	21⅝	22	
58	40	AirPrd	1.32	2.3	15	392	57	56⅞	56⅞	– ⅛
24¼	13⅛	AirFrt	s		15	330	23⅛	22⅛	22⅛	– ⅜
25⅛	15½	Airgas			29	258	18½	17⅞	18½	+ ⅜
20¼	16½	Airlease	2.40	14.	6	27	17	16⅞	16⅞	– ⅛
10⅛	9⅛	AlaP	dpt.87	9.3		2	9⅛	9⅛	9⅛	+ ⅛
[illegible]										

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– S – S – S –								
41	34½	SCEcp	2.58	6.6	10	1203	39¼	38⅝	38⅝	– ⅛
14½	6¼	SCOR U	.20	1.9	13	125	10¾	10⅜	10½	– ¼
9½	7⅛	SL Ind	.16	2.1	12	9	7½	7½	7½	– ⅛
59¾	30¾	SPSTec	1.28	3.6	15	8	35⅝	35½	35⅝	– ⅛
17¾	4⅛	Seachl	.51e	9.5		1270	5½	5¼	5⅜	– ⅛
10	4⅞	Saiecrd	.10	1.0	12	2747	u10¼	9⅝	10⅛	+ ½
12⅞	11⅝	Salewy n				162	12⅜	12¼	12¼	– ⅛
9¼	6¼	SalCas	1.12	16.	20	32	3	2⅞	2⅞	– ⅛
27⅞	21⅞	StJoeLP	1.60	5.8	12	17	27⅝	27⅜	27⅝	
14¼	12	SalmBr	1.79e	14.		416	13¼	13⅛	13⅛	– ⅛
35	25⅞	SAnfRt	2.08	7.7	18	93	27¼	27⅛	27¼	
19½	15¾	SFER n				555	18	17⅞	18	– ⅛
33¾	28	SaraL s	.84	2.8	16	3816	29⅞	29½	29⅝	– ¼
9-16	⅛	Savin				1081	3-16	5-32	11-64	– 1-64
27¾	18	Wyman	.60	3.0	13	25	20⅛	20	20⅛	+ ½
		– X – Y – Z –								
60½	45⅞	Xerox	3	6.3	8	1552	47½	47	47½	+ ⅛
49	44¾	Xerox pf4.13		9.0		1	46	46	46	– ½
35¾	21¾	XTRA	.48a	1.9		13	24¾	24⅝	24⅝	
28	18¾	XTRA pf1.94		9.5		8	20¾	20½	20½	– ¼
4⅛	2	Zapata				2250	2⅛	2	2	
12⅛	6¼	Zemex				1	6⅛	d 6⅛	6⅛	– ⅛
20½	7⅞	ZenNE				312	9	8⅝	9	+ ⅛
21½	13½	ZeniNl	.88	5.7	9	210	15½	15½	15½	– ⅛
9⅛	6⅝	Zenix	.90	15.		308	6⅛	6	6	– ⅛
18½	12⅞	Zero s	.40	2.7	16	114	15¼	15	15	– ⅛
46⅞	34	Zurnin	.76	1.6	21	89	46⅝	46¼	46½	– ⅛
12⅝	10⅝	Zweig	1.21e	10.		168	11⅞	11⅝	11⅝	– ⅛
10	9	ZweigTl	.96	11.		1008	9⅛	9	9	

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices June 6

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Presd B			175	2	7	7	7 + ⅛
Presd A	.10		245	7⅛	6⅞	7⅛	+ ½

[illegible]

NASDAQ NATIONAL MARKET

2pm prices June 6

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
			– X – Y – Z –				
XL Dta		7	608	12¾	11¼	12	+ ½
XOMA			2089	25	24¼	24¼	– ¼
Xicor			511	3⅛	3 3-16	3⅛	+ ⅛
YanEnS	1.52e	12	13	19½	19	19½	+ ½
YelowF	.76	55	609	30⅝	30¼	30⅝	+ ¼
YorkRs		23	175	15½	15¼	15¼	– ¼
ZionUt	1.44	10	54	29¼	28¾	29¼	+ ½

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FINANCIAL TIMES Thursday June 7 1990

AMERICA

Dow falls on weaker oil stocks and profit-taking

Wall Street

PROFIT-TAKING combined with fading hopes of lower interest rates and weakness in oil issues to send equities down towards the 2,900 level on the Dow Jones Industrial Average at midsession yesterday, *writes Janet Bush in New York.*

At 2 pm, the Dow was 13.11 lower at 2,911.89 on active volume of 104m shares. The index had lost 10.19 on Tuesday.

The blue chip index, which has significantly outperformed the broad market this year, was harder hit than other broader indices. For example, the Standard & Poor's 500 index was down 1.94 at 364.70 and the New York Composite Index of more than 1,700 stocks was down only 0.90 at 199.03, having hit a record high earlier this week.

The proportionally larger decline in the Dow was largely due to pressure on three leading oil issues, reflecting this week's sharp drop in crude oil prices after reports that Saudi Arabia has lowered its July pricing formula. Exxon fell $⅜ to $47⅝, Chevron lost $1 to $69⅝ and Texaco slumped $1¼ to $58⅛.

The oil field services sector extended Tuesday's losses. Baker Hughes slipped $¼ to $27⅝ and Halliburton fell $⅜ to $45⅝.

There was also profit-taking on some financial issues which had risen earlier in the week on hopes of lower interest rates. Several leading Federal Reserve officials made comments yesterday that discouraged hopes of a near-term easing in monetary policy. Primerica fell $⅞ to $33⅛, Bank of Boston slipped $⅛ to $15, Citibank edged $⅛ lower to $24⅞ and Security Pacific fell $⅛ to $42⅞.

But other financial stocks were resilient. NCNB edged $⅛ higher to $43⅝ and First Interstate Bancorp rose $1¼ to $45.

Among blue chip issues, IBM added $⅞ to $121⅝, Philip Morris gained $⅜ to $44⅞, Procter & Gamble fell $⅜ to $81⅝ and Coca-Cola fell $⅜ to $45⅝.

NCH plunged $4⅛ to $58⅜ after the company reported net income for the fiscal quarter ended April 30, which was 3.7 per cent lower than a year earlier. Upjohn dropped $1 to $41⅝ on profit-taking after the stock gained $2⅝ on Tuesday on speculation that it might seek a merger partner.

Canada

WEAK OIL and gold shares pulled Toronto off its highs by midday, but both the bond and stock market were encouraged by signs of progress by Canada's leaders in the long-running dispute over a constitutional accord. The composite index climbed 12.8 to 3,608.4 with volume of 16.7m shares. Advances outnumbered declines by 240 to 211.

Among oil shares, Ranger Oil fell C$⅛ to C$7⅛, Imperial dropped C$¾ to C$56⅛, Cabre Explorations eased C$⅛ to C$7⅝ while TransCanada Pipelines gained C$⅛ to C$16.

Among active traders, Nova rose C$⅛ to C$9⅛ with volume of 1.77m shares and Royal Bank gained C$⅛ to C$24.

South African gold shares lose their lustre

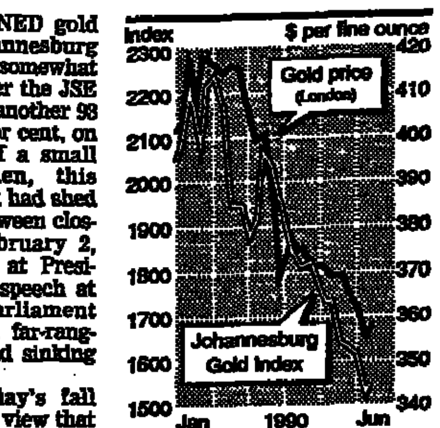
The prospect of lower earnings has not yet been discounted, writes Philip Gawith

EVEN HARDENED gold bulls in Johannesburg were looking somewhat groggy this week after the JSE All Gold Index shed another 98 points, or nearly 6 per cent, on Monday. In spite of a small recovery since then, this means that the index had shed about 33 per cent between closing at 2,250 on February 2, fuelled by euphoria at President FW de Klerk's speech at the opening of Parliament when he announced far-ranging reform plans, and sinking to 1,517 on Monday.

In spite of Monday's fall there is a widespread view that the index is still overvalued, at the current rand gold price. The caveat, of course, is crucial. An upward trend in the dollar gold price, or a deterioration in the R/$ exchange rate, would change events.

The most compelling evidence for the overvaluation of the market is the fact that the index currently stands on a 4.6 per cent dividend yield, compared with a historical average of 7.5 to 8 per cent.

Analysts agree that the market has failed to take into account that real rand earnings and dividends from gold will be significantly lower than last year, owing to the cost-squeeze being experienced by the industry. It is estimated that 17 of the country's 31 leading mines are mining at a loss at the current rand gold price.



The market seems to be suffering from a hangover of the short-lived bull run which saw the index climb about 60 per cent from 1,399 in mid-October to its peak of 2,230 on January 16 (mirroring the rise in the gold price from $360 to $423 over the same period).

Mr Rob Lee of Old Mutual notes: "The bullish mood about gold's prospects led to very optimistic sentiment being built into the prices. That has steadily been eroded, but some of it still remains."

Historically, the gold index has tended to race away at the merest sniff of a rise in the bullion price, not always compensating when the price drops back. According to this view, the bullion price is close to bottoming, but the stock index could fall considerably further, some believe.

Although opinions differ as to whether the market is in a bear phase, there has been no large sell-off in spite of some nasty scares, such as the gold price dropping more than $20 in a single day following the Saudi sell-off in late March.

The index has declined on relatively thin margins with sellers marking down in order to make sales rather than selling off in large tranches. Local institutions, the driving force behind the market, are currently staying out rather than driving the market down.

The small investor has tended to stay in the market, particularly in the more speculative, higher cost, marginal mines, the performance of which is highly geared to the gold price. A small recovery in the price can mean considerable profits. West Rand Consolidated, for example, which is currently trading at R8, was less than R3 a year ago and yet managed to scale the heights of R16.75 during March.

Technical indicators have little cheer to offer. The gold price is currently below both the 40 and 200-day moving averages, which suggests a bearish outlook for both the short and the medium term.

One commentator speaks of "dismal June and apocalyptic September" quarterly reports, given a flat rand gold price, inflation running at 14 per cent and an impending hike in miners' wages.

There are those, however, who anticipate a recovery in the gold price before the end of the year. They point to the record fabrication demand for gold in 1989 as proof of firm physical demand underpinning the dollar price of gold.

On the supply side, South African output is expected to drop from 608 tonnes in 1989 to between 550 and 575 tonnes in 1990, possibly falling a further 100 tonnes in 1991 unless the rand depreciates considerably more against the dollar than is currently the case.

With Australian output expected to decline after 1990, a shrinkage in supply of newly mined gold appears likely. All that remains is for investor sentiment to recover.

JOHANNESBURG rose for the second successive day yesterday, led by gold shares as the bullion price stabilised at about $360 an ounce. Overall trading, however, was quiet and cautious. The JSE Gold index rose 37 to a preliminary close of 1,569 while the overall index added 52 to 3,200.

Anamint, which owns 25.8 per cent of De Beers, jumped R115 to R1,365 on the news of a 10-for-one share split, due at the end of July. De Beers rose R2.55 to R100.85. Vaal Reefs added R7 to R805.

EUROPE

Frankfurt eases on fresh concern about unification

RENEWED WORRIES about the cost of Germany reunification pushed Frankfurt lower, in a generally quiet day for European bourses, *writes Our Markets Staff.*

FRANKFURT fell on fresh concerns about the price of German unity after news that West German bankers had offered East German bank workers pay rises of up to 26 per cent. Faster-than-expected growth in first-quarter gross national product revived fears of higher inflation and interest rates. The DAX index fell 27.67 to 1,849.02, the day's low, and the FAZ index lost 6.77 to 787.46. Turnover rose to DM7.6bn from 6.9bn.

Schering, the pharmaceuticals company, dropped further than the market after a programme on West German television on Tuesday night about the alleged thrombotic side-effects of its Femovan contraceptive pill. The stock fell DM20.20 to DM790, in spite of a company statement that clinical tests showed that the side-effects were not much different from or more frequent than those of other contraceptives on the market.

The steel group Hoesch fell DM17 to DM354 in heavy trading of 1.2m shares, giving up much of the previous day's gain. Construction group Bilfinger und Berger rose DM14 to DM889 although dealers could give no specific reason.

COPENHAGEN concentrated on Hafnia Holding, the financial company, which gained DKr20 to DKr710 amid speculation that it would try to take over Baltica Holding, the insurance group. Baltica lost DKr3 to DKr895. Hafnia said on Friday that it had a holding of at least 10 per cent in Baltica, which has denied that merger talks are taking place.

One analyst said that Hafnia could count on shares held by friendly parties to get control of 25 to 30 per cent of Baltica. "It seems to be more than a friendly investment, more like a takeover," he added, explaining that such a deal would make sense for Hafnia, because it could benefit from Baltica's links with Suez of France. The bourse index rose 0.20 to 377.44.

MILAN absorbed the continuing selling pressure, which fanned hopes that the market would start the new trading account next week on a firm footing. Brokers pointed out, however, that corporate groups were supporting the market in order to facilitate capital raising exercises later in the year. The Comit index fell 1.11 to 747.25 in volumes estimated at above Tuesday's L311bn.

Benetton added L210 to L9,060 and reached L9,190 after hours on speculation that it would soon announce an acquisition, possibly of the textile holding company, Fisac, which was suspended at L9,600 on May 23. Falck, the family-controlled steel company, added L400 to L11,100 on rumours that the family might sell out to Ilva, the state steel group.

TURKEY's Garanti Bankasi sold about half of a TL235bn ($90m) issue of 15 per cent of the bank's equity on the first day of sale yesterday, writes Jim Bodgener in Ankara. The offer of shares, priced at TL4,500 each, stays open until next week.

Dealers on Istanbul's stock exchange snapped up a tranche valued at TL20bn. A further TL80bn was sold through the bank's branches.

PARIS slipped further, again in quiet trading, as political concerns continued to command attention. The fears of a sharp rise in capital gains tax and of a wage restraint kept investors away, while forthcoming capital increases, by the water companies and others, also depressed sentiment.

Luxury goods group LVMH, which saw the last Vuitton members voted off its board yesterday, received its shareholders' authorisation to issue up to FFr5bn in bonds. The stock slipped FFr9 to FFr4,590.

The CAC 40 index lost 24.00 to 2,045.43 in turnover estimated at FFr2bn, after Tuesday's FFr1.8bn.

ZURICH fell in light trading, with the Crédit Suisse index off 8.1 at 652.9. Chemicals eased, with Roche's certificates down SFr80 at SFr4,160 and its bearers SFr175 lower at SFr7,600. The company said that it was in talks on the possible sale of its plant protection division.

Swissair saw both its bearers and registered shares fall SFr10, to SFr1,060 and SFr860 respectively. The airline said that it had frozen recruitment and adopted other measures to try to improve net revenue, after failing to meet its targets for traffic or revenue in April. Zurich Insurance bearers lost SFr70 to SFr4,730 and its registered shares fell SFr110 to SFr3,900; the company said that 1990 profit should at least match last year's SFr357m.

AMSTERDAM followed London and Frankfurt lower. The CBS Tendency index eased 0.4 to 120.6. Transport and trading group Van Ommeren Ceteco added 40 cents to Fl 43.40 on continued takeover talk.

The bourse said that it was demoting ICA Holding, a holding company of diversified interests, to the non-official market, following Friday's admission by ICA Holding's new management that its predecessors had misinformed the market about the company's asset position last year.

STOCKHOLM suffered a bout of profit-taking. Ericsson free B shares fell SKr40 to SKr1,300 in active trade. The stock had reached a low of SKr1,270 earlier following a statement by finance chief Mr Carl Wilhelm Roos that recent forecasts by brokers of profits of SKr6bn in 1990 were exaggerated, and that the company's own prediction of SKr4.7bn was valid. The Affärsvärlden General index fell 9.3 to 1,279.2 in turnover of SKr399m.

BRUSSELS enjoyed active trading on the last day of the two-week forward market account, but shares ended mixed. Société Générale de Belgique dropped BFr25 to BFr3,300 with 120,000 shares traded, including two blocks of 50,000 shares. Turnover in Société Générale, at BFr400m, accounted for about one third of official trade.

MADRID eased as investors took profits after the recent rises. The general index dropped 1.60 to 286.46.

ASIA PACIFIC

Nikkei overcomes fears of arbitrage selling

Tokyo

THE TOKYO market overcame fears of massive arbitrage selling yesterday before today's expiry of the June futures contract and, with the help of active buying from leading brokers, managed to make a modest gain, *writes Michiyo Nakamoto in Tokyo.*

Share prices moved sluggishly in dull trading. The Nikkei average moved erratically but within a narrow range, rising to a high of 33,052.32 and falling to a low of 32,838.99 before closing up 31.88 at 32,953.50. Declines led advances by 498 to 438 and a further 180 issues were unchanged.

Turnover was low at 600m shares, which was similar to levels seen on Tuesday. The Topix index of all listed shares inched down 1.86 to 2,423.97 and, in London trading, the ISE/Nikkei 50 index rose 0.23 to 1,812.60.

Concern in Tokyo that the expiry of the June futures contract today would trigger waves of arbitrage selling on the cash market kept investors wary. The fear that the market would be hit by massive selling reached something of a peak in the morning, said Mr Masami Okuma at UBS Phillips and Drew. There was actually very little arbitrage selling to confirm those fears. Nevertheless, investors generally stayed away from issues on the market that could be affected by such selling and turned their attention to small capitalisation and incentive-backed issues.

Trading on the second section and the over-the-counter market was very active, with trading having to be reduced to one hour yesterday afternoon. The Japan Over-the-Counter Securities Committee said the hours would be cut to one and a half hours each in the morning and afternoon for a short period to deal with the increased volume.

The top 10 volumes list in the first section was headed by large capital issues, such as Mitsubishi Heavy Industries, which was first with a volume of 55.1m. Both Mitsubishi Heavy and Mitsui Engineering and Shipbuilding, which followed with 16.5m shares, rose Y30 to Y1,100 and Y1,030 respectively. NKK, the steel company, was third with 12.1m shares and increased Y9 to Y701.

Other issues actively pursued were mostly special situations. Toyota, the car maker, attracted attention on reports that member firms of the Toyota group were increasing shareholdings in each other and on reports that the motor company had developed a clean engine. Toyota rose a strong Y70 to Y2,610.

In Osaka, large capital issues saw gains but the overall market was sluggish with the OSE average slipping 36.29 to 35,607.37. Turnover was 63.7m shares.

Roundup

POLITICAL worries unnerved the Philippines and Taiwan, which both fell sharply, while Hong Kong sprinted at the close. Seoul and Kuala Lumpur were closed for holidays.

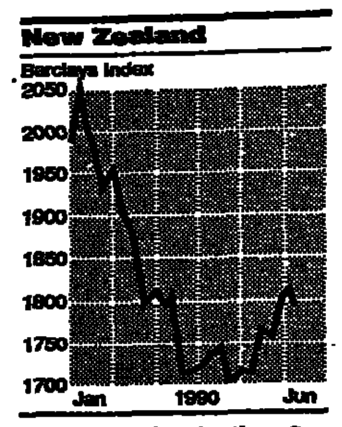
MANILA fell 4.3 per cent as the unsettled political and economic situation prompted further institutional selling. The composite index lost 33.19 to 740.31, its fourth successive decline and well below its support level of 760.

Early gains, following news that the Philippine National Bank would make a 40 per cent dividend, were wiped out. PNB, fell from 422.50 pesos to close steady at 417.50 pesos.

TAIWAN fell on rumours that the new finance minister would increase the daily limit on share price movements from 7 per cent to 10 per cent in an attempt to curb speculation. The weighted index dropped 264.21, or 3.6 per cent, to 7,075.50. Volume rose to 1.69bn shares or NT$124bn from 1.62bn or NT$111.81bn. News that exports fell 10.2 per cent in May from a year ago also depressed prices.

HONG KONG recovered from early profit-taking to end at the day's highs on strong overseas buying in the afternoon. The Hang Seng index, which lost more than 20 points in early trading, closed 13.43 higher to 3,172.49, a new post-June 4, 1989, high. Turnover swelled to HK$2.19bn from HK$1.76bn. Hong Kong Telecom, which is expected to report strong 1989 profits today, rose 20 cents to HK$6.20.

New Zealand



NEW ZEALAND succumbed to profit-taking, after its recent gains. The Barclays index dropped 24.57, or 1.4 per cent, to 1,790.15 as turnover remained active at 12.2m shares worth NZ$21.3m.

Air New Zealand, the international airline which is due to report annual profits today, lost 4 cents to NZ$1.88.

AUSTRALIA ended a two-week rally as a stronger domestic dollar and softer commodity prices weighed on natural resources stocks. The All Ordinaries index closed 1.9 lower at 1,526.9 and turnover eased to 106m shares or A$267m from 124m or A$253m.

SINGAPORE drifted higher in thin trading. Volume fell to 46.2m shares or S$129.4m from 50.4m or S$127m. The Straits Times index was 0.22 better at 1,550.93. BANGKOK attracted profit-taking for a second day, with the SET index losing 7.77 to 1,011.09.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 5 1990								MONDAY JUNE 4 1990					DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	Dm Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	138.82	+0.2	122.21	133.90	122.01	120.31	+0.2	5.79	138.57	122.62	133.67	122.01	120.05	158.31	125.85	130.57
Austria (19)	243.86	+1.6	214.69	235.24	214.93	214.51	+1.6	1.26	239.93	212.31	231.44	211.25	211.23	285.63	193.15	119.62
Belgium (61)	152.41	+1.0	134.18	147.00	133.95	130.80	+0.7	4.41	150.90	133.53	145.65	132.88	129.88	160.02	132.11	128.24
Canada (119)	139.00	+0.0	122.37	134.07	122.16	118.32	−0.1	3.45	138.98	122.96	134.03	122.33	118.38	153.61	130.37	139.77
Denmark (33)	256.21	+0.3	225.58	247.15	225.18	224.59	+0.0	1.28	255.52	226.10	246.48	224.97	224.59	260.82	236.89	180.68
Finland (26)	136.71	−0.8	120.36	131.88	120.18	113.89	−0.5	2.41	137.75	121.89	132.88	121.28	114.46	152.29	129.99	144.12
France (125)	161.52	−0.9	142.20	155.79	141.95	144.42	−0.9	2.85	162.91	144.15	157.13	143.42	145.72	168.86	141.69	119.09
West Germany (93)	131.13	+1.5	115.45	126.51	115.25	115.25	+1.3	1.94	129.18	114.31	124.62	113.73	113.73	137.71	122.05	84.42
Hong Kong (48)	130.59	+0.3	114.97	125.96	114.78	130.48	+0.2	4.80	130.24	115.24	125.63	114.67	130.16	130.80	112.24	88.78
Ireland (17)	188.02	+0.8	165.53	181.37	165.25	167.15	+0.0	2.82	186.54	165.06	179.94	164.24	167.10	198.57	172.72	136.61
Italy (96)	106.74	+0.0	93.98	102.96	93.81	99.17	+0.0	2.40	106.71	94.42	102.93	93.95	99.16	107.10	91.85	78.04
Japan (454)	153.77	−0.1	135.38	148.32	135.16	148.32	−0.1	0.57	153.99	136.26	148.54	135.60	148.54	197.28	124.40	175.13
Malaysia (35)	232.88	−0.2	205.03	224.63	204.67	242.88	−0.2	2.22	233.27	206.41	225.00	205.37	243.42	245.32	204.15	174.24
Mexico (13)	549.32	−0.1	483.61	529.88	482.79	1706.59	−0.2	0.30	549.86	486.56	530.40	484.13	1710.39	549.86	324.53	228.80
Netherland (43)	140.82	+0.0	123.98	135.84	123.77	122.31	−0.2	4.61	140.88	124.66	135.89	124.04	122.59	145.66	130.43	116.17
New Zealand (17)	65.64	+1.3	57.79	63.32	57.69	60.32	+1.1	7.32	64.83	57.36	62.54	57.08	59.67	75.36	59.57	64.03
Norway (23)	243.56	+0.7	214.43	234.95	214.07	215.05	+0.4	1.43	241.90	214.05	233.34	212.96	214.24	245.90	202.34	174.52
Singapore (25)	205.32	−0.1	180.76	198.06	180.45	175.04	−0.3	1.93	205.59	181.92	198.31	181.01	175.55	207.28	179.70	153.69
South Africa (60)	190.81	+0.1	167.99	184.05	167.70	161.36	+0.5	3.72	190.68	168.73	183.93	167.88	160.61	251.39	173.80	136.44
Spain (42)	162.13	+0.8	142.73	156.39	142.49	128.17	+0.3	4.15	160.88	142.36	155.19	141.64	127.73	165.19	132.84	143.92
Sweden (35)	217.57	+2.8	191.54	209.87	191.22	196.87	+2.6	2.05	211.65	187.28	204.16	186.35	191.91	217.57	173.89	158.80
Switzerland (66)	104.30	+0.8	91.83	100.62	91.68	92.82	+0.6	2.23	103.47	91.56	99.82	91.11	92.28	104.31	88.75	74.35
United Kingdom (305)	161.75	+0.5	142.40	156.01	142.15	142.40	+0.0	4.73	160.95	142.42	155.24	141.69	142.42	164.31	139.87	137.37
USA (537)	148.23	−0.2	130.50	143.00	130.29	148.23	−0.2	3.27	148.55	131.45	143.30	130.80	148.55	148.55	130.61	132.18
Europe (984)	147.76	+0.5	130.09	142.53	129.87	129.54	+0.2	3.50	147.00	130.08	141.80	129.43	129.26	147.76	135.57	114.62
Nordic (117)	206.93	+1.4	182.18	199.61	181.87	176.94	+1.2	1.70	204.08	180.58	196.86	179.68	174.89	206.93	185.01	152.42
Pacific Basin (659)	152.32	−0.1	134.10	146.94	133.88	146.40	−0.1	0.88	152.51	134.95	147.11	134.28	146.58	192.75	124.63	170.25
Euro-Pacific (1643)	150.87	+0.1	132.83	145.52	132.59	140.07	+0.0	1.92	150.67	133.33	145.33	132.65	140.05	174.18	130.35	148.05
North America (656)	147.58	−0.2	129.92	142.37	129.73	146.25	−0.2	3.28	147.87	130.84	142.65	130.21	146.55	147.87	131.02	132.54
Europe Ex. UK (679)	137.71	+0.5	121.24	132.86	121.06	121.44	+0.4	2.72	136.99	121.22	132.17	120.64	121.00	139.50	124.81	100.28
Pacific Ex. Japan (205)	134.35	+0.2	118.28	129.62	118.09	121.17	+0.2	5.05	134.06	118.63	129.34	118.05	120.93	139.32	122.53	111.93
World Ex. US (1835)	151.09	+0.1	133.02	145.76	132.80	139.95	+0.0	1.99	150.90	133.53	145.57	132.88	139.93	173.77	131.30	147.69
World Ex. UK (2067)	147.67	+0.0	130.01	142.46	129.80	142.61	−0.1	2.18	147.74	130.73	142.52	130.09	142.71	162.00	130.80	141.58
World Ex. So. Af. (2312)	148.66	+0.0	130.88	143.41	130.66	142.41	−0.1	2.42	148.64	131.53	143.39	130.88	142.51	161.84	131.95	141.20
World Ex. Japan (1918)	147.88	+0.1	130.19	142.66	129.99	139.79	+0.0	3.44	147.74	130.73	142.52	130.10	139.81	147.88	134.62	125.13
The World Index (2372)	148.91	+0.0	131.10	143.65	130.89	142.55	−0.1	2.43	148.90	131.75	143.63	131.10	142.64	162.05	132.25	141.17

Latest prices were unavailable for this edition. Danish market closed June 5.
Constituent change: Name change 5/6/90: Amca Intl. to United Dominion Industries (US).